INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER

2013

South Ocean HOLDINGS

CONTENTS

ABOUT THIS REPORT

In preparing the Group's integrated annual report for the year ended 31 December 2013, cognisance was taken of a number of reporting frameworks. The integrated report is prepared taking into account the reporting requirements of the King Report on Corporate Governance in South Africa, 2009 (King III Code) as well as the South African Companies Act, 2008 and Johannesburg Stock Exchange (JSE) Listings Requirements as a guideline. The Group continues to use the Global Reporting Initiative (GRI) guidelines to inform its sustainable development reporting.

This report is the Group's primary report to stakeholders and includes the Group's main business units and key functions as outlined on pages 2 to 5 of this report. It provides a concise and balanced account of Group performance over the financial year
1 January 2013 to 31 December 2013. With respect to comparability to prior years', all significant items are reported on a like-for-like basis, with no major restatements.

This integrated annual report was prepared by Mr JP Bekker, the Group Chief Financial Officer and was reviewed and approved by the Audit and Risk Management Committee.

COMPANY PROFILE

South Ocean Holdings Limited (South Ocean Holdings) is an investment holding company that is listed on the main board of the Johannesburg Stock Exchange. The Group manufactures low voltage electrical cables through its subsidiary, South Ocean Electric Wire Company Proprietary Limited and imports and distributes light fittings, lamps and electrical accessories in Southern Africa through its subsidiary, Radiant Group Proprietary Limited. Its products are sold to wholesalers and distributors who supply mainly the building and construction industry. South Ocean Holdings has operating subsidiary companies and a property holding subsidiary.

SOUTH OCEAN ELECTRIC WIRE COMPANY PROPRIETARY LIMITED (SOEW)

SOEW is a manufacturer and distributor of low voltage electrical cables based in Alrode, south of Johannesburg. SOEW sells to wholesalers and distributors and employs 446 employees. Products include general purpose insulated wires from 1 mm^2 to 630 mm^2, a range of flexible conductors, steel wire armoured cables, flat twin and earth cables, ACSR, ABC, and surface wire.

- Revenue R1 336,3 million
- Contribution to Group revenue 78,1%
- EBITDA R51,9 million

ANCHOR PARK INVESTMENTS 48 PROPRIETARY LIMITED (ANCHOR PARK)

Anchor Park houses the property assets of the Group, consisting of the SOEW's Alrode plant and Radiant's warehouses, offices and showrooms in Johannesburg as well as the South Ocean Holdings head office located in Alrode.

RADIANT GROUP PROPRIETARY LIMITED (RADIANT)

Radiant is an importer and distributor of light fittings, lamps and electrical accessories to wholesalers, distributors and lighting consultants. The majority of Radiant's products are imported and distributed to customers in Southern Africa. Radiant has a diversified product range and also imports and distributes corporate gifts. The company operates from offices, warehouses and showrooms located in Johannesburg, Durban and Cape Town and employs 258 employees. Radiant is a significant supplier in the light fittings market and is also a major supplier of lamps and is growing its market share in the electrical accessories market. Radiant has acquired an electronics accessories division during the year trading under the brand name "What 4 Electronics".

- Revenue R373,1 million
- Contribution to Group revenue 21,9%
- EBITDA R19,0 million

ICEMBU SERVICES PROPRIETARY LIMITED (ICEMBU)

Icembu is based in Wynberg, in the north of Johannesburg. The company's main function is the assembling and repairing of light fittings and electrical products for Radiant. The company employed a total of 25 employees at the financial year-end.

OVERVIEW (CONTINUED)

FINANCIAL HIGHLIGHTS

	2013	2012	2011	2010	2009	2008
Net revenue (Rm)	**1 690,9**	1 406,3	1 261,0	1 138,1	958,0	1136,6
Operating (loss) profit (Rm)	**(92,7)**	(91,1)	75,7	88,5	60,2	132,7
Net (loss) profit after tax (Rm)	**(121,4)**	(118,3)	45,8	52,5	31,7	61,1
Headline earnings per share (cents)	**21,0**	36,3	30,6	33,4	24,1	65,7
Dividend per share (cents)*	**–**	–	–	–	3,0	7,0
Total assets (Rm)	**947,7**	1 025,8	1 081,7	969,6	924,2	987,4
Net cash and cash equivalents (Rm)	**(137,4)**	(122,2)	13,8	34,8	58,8	(6,2)
Shareholders' equity (Rm)	**544,2**	664,9	783,0	736,9	689,8	658,1
Net tangible asset value per share (cents)	**341,3**	342,2	285,1	251,2	219,6	197,1

AFRICAN FOOTPRINT

- South Ocean Holdings head office, Alrode, Gauteng
- SOEW factory Alrode, Gauteng
- Radiant head office and warehouse, Wynberg, Gauteng
- Distribution centre Briardene, KwaZulu-Natal
- Offices and distribution centre in Montague Park, Milnerton, Cape Town
- Radiant's footprint in African countries

OUR PRODUCTS

ELECTRICAL CABLES

Through subsidiary SOEW, the Group manufacture the full range of low voltage electrical cables, from typical household wiring to industrial steel wire armoured cables. These are sold to electrical wholesalers and distributors who supply the building, construction, mining and retail industries.

The product range includes:

- Bare copper earth wire
- General purpose house wire
- Flat twin and earth
- Surface wiring
- Twin illumination cable
- Cabtyre
- Single core flex
- Solid panel wire
- Flex power
- Ripcord
- Mainscord
- Submersible pump cable
- Nitrile trailing cable
- PVC nitrile welding cable
- Flame retardent (FR) armoured cable
- Low halogen (LH) armoured cable
- Flame retardent (ECC) armoured cable
- Armoured cable (FR) 1.8/3.3kv
- Single core double PVC cable
- Single core double PVC AWA PVC cable
- Aluminium conductor
- Aluminium conductor steel reinforced (ACSR)
- Low voltage Aerial Bundle conductor (ABC)

LIGHTING, LAMPS AND ELECTRICAL ACCESSORIES

Through subsidiary Radiant, the Group imports and distributes lighting and electrical solutions which are beautiful by design and inspired by the environment. The products include the following:

Lighting solutions

Over 6 000 fittings which include:

- Accessories
- Bulkheads/footlights
- Ceiling lights
- Chandeliers
- Downlights
- Lamps
- Mounting options
- Outdoor
- Pendants
- Spotlights
- Utility lights
- Wall lights

Electrical solutions

Over 1 000 different products which include:

- Wall extension boxes
- Adaptors
- Multi-plugs and plug tops
- Cable management and accessories
- Dimmers, sensors and timers
- Extension cords and reels
- Office systems
- Tools instruments
- Wiring accessories
- Wireless automation

Lamps

Over 1 200 different products which include:

- Fluorescent tubes
- Incandescent
- Halogen lamps
- High intensity discharge (HID)
- Infrared
- CFL
- LEDs
- Miniatures
- Energy saving
- Sealed beam lamps

Corporate gifts

Over 370 different products which include:

- Watches
- Wall clocks
- Bags
- Umbrellas
- Battery operated electronics
- Photo frames
- Braai sets
- Picnic sets
- Camping chairs
- Knives

Audio visual and Electronic accessories

Over 330 different products which include:

- Small home appliances
- Electronic accessories
- Gadgets
- Headphones
- Computer accessories
- Home media

VISION AND MISSION

South Ocean Holdings strives to be the preferred business partner and market leader in South Africa, expanding into Africa and establishing an international footprint through importing and distributing innovative products and manufacturing electrical cables.

VALUES

CUSTOMER EXCELLENCE

Our customers are our future;

Build long-term relationships, based on mutual respect; and

Dedicated to satisfying customer needs.

EMPLOYEE EMPOWERMENT

Support and show concern for our employees;

Involve, develop and advance our employees to their full potential;

Value and encourage diversity;

Promote open and honest debate;

Build awareness of fraud and dishonest conduct; and

Individual performance and team work are essential.

INTEGRITY AND ETHICS

Subscribe to sound corporate governance and business ethics; and

Act with honesty and integrity.

CORPORATE RESPONSIBILITY

Contribute to the improvement of communities in our surrounding areas; and

Utilise business practices that minimise any potential harmful impact to the environment.

EMPOWERMENT

Equal opportunities to grow in a supportive environment.

PERFORMANCE HIGHLIGHTS

During the year, South Ocean Holdings:

- Increased revenue by 20,2% from R1406,3 million to R1 690,9 million;
- Increased the production capacity and volumes at its electrical cable manufacturing plant;
- Results negatively affected by electrical supply problem experienced during first quarter at the cable plant;
- Results were negatively affected by impairment of goodwill related to the Group's investment in Radiant;
- Acquired What 4 Electronics, a division within Radiant, distributing audio visual and electronic accessories;
- Relocated Radiant's Cape Town operations to Milnerton to enhance accessibility for customers; and
- Established Icembu, a subsidiary which assembles and repairs light fittings and components on behalf of Radiant.

INVESTMENT CASE

- Credible management team with extensive experience;
- Two robust operational businesses with distinguished track records;
- Long-standing and established relationships with key suppliers;
- Good corporate citizen with strong corporate governance principles;
- Large and established customer base;
- Solid relationships with financial institutions.

OUR STRATEGY

South Ocean Holdings' strategy is to deliver sustainable returns for all its stakeholders, excellent service to its customers and to maintain a reputation as the preferred provider of electrical cables, light fittings, lamps, electrical accessories, audio visual and electronic accessories. Underpinning this is the commitment to good corporate governance, a responsible approach to risk management and dedication to taking care of its employees. Overall, South Ocean Holdings aims to make a positive contribution to the environment and communities in which it operates.

OUR TOP THREE STRATEGIC IMPERATIVES

- **Ensuring sustainable returns for our stakeholders**
  South Ocean Holdings is focused on managing its business at a high level of efficiency so as to ensure that it generates sustainable returns over the longer term. This is not only profit maximisation, but includes ensuring that it operates a sustainable business that is beneficial to all its stakeholders.
- **To be a key player in the cable manufacturing, light fittings, lamps, electrical accessories and electronics markets**
  South Ocean Holdings is focused on gaining recognition in its chosen areas of operation by increasing its market share through organic growth. The Group concentrates on organic growth and where possible will look for opportunities for growth through acquisitions.
- **Develop globally competitive businesses**
  In its quest to compete in the rest of Africa, South Ocean Holdings' businesses have been streamlined to ensure that they are competitive within their target markets. The Group continuously strives to find ways to ensure its competitive advantage is maintained at all times.

PRINCIPAL RISKS

Risks	Risk mitigation
Strategic	
New product and markets	Thorough research, development and testing is undertaken before new products are launched and before new markets are entered.
Expansion	Extensive research is conducted before expansion opportunities are pursued.
Operational	
Electricity supply	Backup generators for office use are installed. The two plant premises are supplied from two different power grids. Backup power sources for the two plant premises at SOEW are not economically viable at this stage.
Stock availability	Adequate planning and inventory management systems to manage stock availability.
Fraud prevention	Good internal controls consistently monitored. An independently operated whistle-blowing programme is in place.
Quality	Complying and maintaining ISO, SABS and other quality standards at all times.
Copper supply	Maintaining more than one copper supplier.
Rand/Dollar exchange volatility	Exchange rate movements are closely monitored and cover is taken per the Company policy.
Working capital cycle	Working capital is monitored daily and inventory levels are kept as low as possible. Care is taken to ensure that there is sufficient stock to run operations productively. Sufficient overdraft facilities are in place.
Internal financial controls	Internal controls implemented at all levels; and Internal auditors report on the effectiveness and integrity of the systems and controls.

OVERVIEW (CONTINUED)

BOARD OF DIRECTORS

Ethan Gilbert Dube (54) — INDEPENDENT NON-EXECUTIVE CHAIRMAN

MSc (Statistics)

BOARD COMMITTEES: NOMINATIONS: REMUNERATION

Ethan was appointed as director of South Ocean Holdings in February 2007 and chairman in 2009. He has gained significant corporate finance and asset management experience over the years. In 1998, he founded Vunani Limited, a financial services company, where he is currently Chief Executive Officer and in 1996 he founded Infinity Asset Management with three other partners. Ethan worked for Southern Asset Managers for three years and as a senior analyst for Standard Chartered and Merchant Bank for two years in the corporate finance department. Ethan is a non-executive director of Hyprop Investment Limited and Esorfranki Limited. Ethan resigned as the director on 31 March 2014.

Kwok Huen (Henry) Pon (77) — INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom (Rand), CA (SA)

BOARD COMMITTEES: AUDIT AND RISK MANAGEMENT (CHAIRMAN): REMUNERATION (CHAIRMAN): NOMINATION (CHAIRMAN)

Henry was appointed to the board of South Ocean Holdings in November 2007 as an independent non-executive director. He has been in public practice as a Chartered Accountant since 1962 and is still active in the accounting and auditing field. During his many years of practice, Henry has had exposure to the different fields of commerce and industry and has gained extensive experience in finance, tax, auditing, accounting and management. Throughout his career he has audited public companies at the highest level. He is a member of the South African Institute of Chartered Accountants and Independent Regulatory Board for Auditors. Henry was appointed Chairman of the Board effective 1 April 2014.

Edward Hwei-Ti Pan (66) — NON-EXECUTIVE DEPUTY VICE-CHAIRMAN

BSc (Eng) (Tri-State, Indiana)

BOARD COMMITTEE: NONE

Edward founded SOEW in 1989 in King Williams Town and was Chief Executive Officer of South Ocean Holdings until his retirement at the end of September 2011. He is the Deputy Vice-Chairman of the board since October 2011. After graduating, he served as plant manager and MD of businesses in Taiwan before settling in South Africa in 1982. In South Africa he founded Dimbaza Fibre and then Cosmic Package, a manufacturer of polypropylene woven bags. He was chairman of Cosmic Package until 1998 when he resigned and sold his shareholding. Edward was recognised by Asia Inc. Magazine in Hong Kong in 1995 as a successful Taiwanese businessman in Africa and he was awarded the 4th Annual Outstanding Overseas Taiwanese for Small and Medium Enterprises by the Ministry of Economic Affairs in Taiwan in 2002. He was previously the chairman of the Johannesburg Taiwanese Chamber of Commerce.

Paulo (Paul) José Monteiro Ferreira (44) — CHIEF EXECUTIVE OFFICER

BOARD COMMITTEE: SOCIAL AND ETHICS

Paul was appointed Chief Executive Officer of South Ocean Holdings in July 2011. Prior to this he was the Chief Operating Officer of South Ocean Holdings from August 2010. Paul joined SOEW in 1999 as Marketing Operations Manger and was appointed Marketing Director in February 2007 and Chief Executive Officer of SOEW in August 2008. He has pursued a career in marketing electrical wires and cables for the past 22 years.

Jacobus (Koos) Petrus Bekker (57) — CHIEF FINANCIAL OFFICER

BCom, BCom (Hons), CA (SA)

BOARD COMMITTEE: SOCIAL AND ETHICS

Koos has been Chief Financial Officer of South Ocean Holdings and an executive director since February 2007. He was also Chief Executive Officer of Radiant from October 2009 until May 2010. He joined SOEW in July 2001 as Administration and Financial Operational Manager. Koos entered the accounting profession in 1978 and was appointed audit partner in 1986. He served as an audit partner with a medium-sized firm and also one of the big four firms during his career as an auditor. He left the auditing profession in 1997 and opened a stockbroking firm in the Eastern Cape. He qualified as a stockbroker in 1999 and was a member of the South African Institute of Stock Brokers until 2001. Koos is a member of the South African Institute of Chartered Accountants.

Chi-Ying (Joe) Wu (49) — NON-EXECUTIVE DIRECTOR

BSc Business Administration (Montana, USA)

BOARD COMMITTEE: NONE

Joe was appointed as a non-executive director of SOEW in 2004 and of South Ocean Holdings in January 2007. He is the Assistant President of the management service department and Principal Financial and Accounting Officer of Hong-Tai Electrical Industrial Co, Taiwan ('Hong-Tai'). He has a wide range of experience in accounting, financial, administration and internal control systems. He joined Hong-Tai in 1996, was appointed as the assistant manager of the accounting department in 2002 and manager of the internal audit department in 2005.

Hung-Lung (Eric) Li (62) — NON-EXECUTIVE DIRECTOR

MSc, Industrial & System Engineering (San José State University, USA)

BOARD COMMITTEE: REMUNERATION

Eric was appointed to the South Ocean Holdings board in March 2008 as an alternate director to Choice Pan and a full non-executive director in August 2009. Eric has been the Chief Information Officer at Hong-Tai since February 2014. Eric joined Hong-Tai in 2004 as the Vice-President, Information Technology Center before he was transferred to the Telecommunication Cable Business where he was the Vice-President of the Telecommunication Cable Business till January 2014. He was previously involved in the software engineering and semi-conductor manufacturing business in Silicon Valley in the US for more than 20 years. Eric has held positions as the General Manager of VLI Communications, Vice-president at Everlasting Software Company and Software Engineering Director at Sun Microsystems.

Natasha Lalla (39)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom (Hons), CA (SA)

BOARD COMMITTEE:
AUDIT AND RISK MANAGEMENT

Natasha was appointed to the South Ocean Holdings Board in June 2014 as an independent non-executive director. She is a member of the South African Institute of Chartered Accountants and the Institute of Internal Auditors South Africa and is still active in the accounting and auditing fields. She started her career as an auditor at a big five accounting firm. In January 2004, she left the public accounting profession to work as a financial manager in a treasury environment for one of the big four banks in South Africa and is now working as a senior manager in the internal audit division specialising in wealth management and investment banking. During her many years of practice and exposure to the financial services industry, she has gained extensive experience in finance, banking, auditing, accounting and risk management practices.

Melanie Chong (37)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom, BCom (Hons), CA (SA)

BOARD COMMITTEES:
AUDIT AND RISK MANAGEMENT:
SOCIAL AND ETHICS
(CHAIRPERSON)

Melanie was appointed to the South Ocean Holdings Board in April 2010. Over the past 10 years Melanie has worked predominantly in the financial services sector. She was the corporate governance officer at a blue chip company. She also started her own business and partnered with other owner-managed businesses in the consulting, accounting, luxury accessories and recruitment industries. Melanie is a member of the South African institute of Chartered Accountants. Melanie was appointed chairman of the Audit and Risk Management Committee effective 1 April 2014.

Louisa Stephens (37)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BBusSc (Finance), BCom (Hons) (Accounting), CA(SA)

BOARD COMMITTEE: NONE

Louisa was appointed to the board of South Ocean Holdings in June 2014. She is an entrepreneur, independent financial trader and enterprise development specialist. Louisa has been a professional in the financial services industry for over 10 years. Her experience covers investment banking, private equity, corporate finance, investment and portfolio management, and accounting and financial management. She held various position including, as Fund Manager of uMnotho Fund in the Fund Management Division of the National Empowerment Fund, Transactor at Rand Merchant Bank in the Investment Banking division in the Acquisition and Leveraged Finance team; General Manager of the Investment and Finance Divisions of Nozala Investments and Chief Investment Officer of Circle Capital Ventures. Louisa is a member of the South African Institute of Chartered Accountants and the Institute of Directors.

Debbie Lau Tam (44)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom, BCom (Hons)

BOARD COMMITTEE: AUDIT
AND RISK MANAGEMENT

Debbie was appointed as a non-executive director of South Ocean Holdings in November 2010. She has been in the IT assembly and distribution industry for 20 years and was a financial manager for six years. Her experience covered financial, business analysis, logistics and service operations management. She is currently the Chief Operating Officer at Mustek Ltd, a position she has held since May 2007. Debbie is a member of the South African Institute of Chartered Accountants as an Associate General Accountant. Debbie resigned as a board member on 31 December 2013.

Chung-Hsiang (Choice) Pan (57)

ALTERNATE NON-EXECUTIVE DIRECTOR

BSc Public Finance (Feng Chia, Taiwan)

Choice was appointed as a non-executive director of SOEW in 2002 and of South Ocean Holdings in January 2007. He resigned as a non-executive director of South Ocean Holdings in August 2009 and was appointed alternate director to Eric Li on the same date. He is the senior president of Hong-Tai and has been an executive director of Hong-Tai since 1990. His experience covers a wide range of cable and electronic material manufacturing and marketing. He joined Hong-Tai in 1982 as a Chief of the power cable marketing department. Choice is also a director of United Electricity Industry Company and an executive director of the Taiwan Electric Wire & Cable Industrial Association.

Wen-Ping (Benjamin) Li (56)

ALTERNATE NON-EXECUTIVE DIRECTOR

BSc Electrical Engineering (NCKU, Taiwan)

Benjamin was appointed to the Board of South Ocean Holdings, as an alternate to Joe Wu in March 2014. He had previously been an alternate director of South Ocean Holdings from February 2012 to November 2012. He is an assistant President of Power Cable Division of Hong-Tai since 2006. His experience covers the field of R&D, quality control, manufacturing, marketing and sales relating to the Power Cable Division. He joined Hong-Tai in 1991 as a chief of Technical Department of the Power Cable Division.

Desiree Lymin Pan (36)

ALTERNATE NON-EXECUTIVE DIRECTOR

BA Business Economics (USA), CPA (California, USA)

Desiree was appointed to the South Ocean Holdings' Board as an alternate director to Edward Pan in December 2013. She started her career as an auditor at a big five accounting firm in the US in 1996. After moving back to Taiwan, she worked at PricewaterhouseCoopers, performing financial due diligence for mergers and acquisitions of local and multinational corporations spanning across various industries. She left the public accounting profession in 2004 to work at HSBC as a credit approval manager for small and medium enterprises, and is now working as a financial analyst at a private investment company. She has a wide range of experience in accounting, finance, banking, and internal control systems. She is a Certified Public Accountant licensed in the state of California.

CHAIRMAN'S REPORT

Ethan Dube, Chairman

South Ocean Holdings delivered another stable operational performance during 2013. Key themes for the year included diversifying revenue streams, developing and releasing new products and expanding into new markets, while continuing efficiency improvements.

Notwithstanding a difficult external environment that continued to weigh heavily on economic growth, the Group continued to capture market share. A strong management team responded to changing market dynamics, extracting cost efficiencies focusing on growing the Group's main businesses into new markets, whilst simultaneously looking for opportunities to diversify.

From a macro-economic perspective, South Africa's lacklustre growth of 2,1% during 2013, down from the previous year's 2,5%, came on the back of labour instability, social unrest and policy uncertainty which made for a challenging operating environment.

MARKET REVIEW

A key market for electrical cable as well as light fittings, lamps and electrical accessories is the residential property market, which showed some signs of recovery, with average house prices rising 6,8% over 2013 (2012: 5%). The retail and commercial property market continued to outperform residential housing and the Group continued to focus on securing contracts in this sector. The Board remains cautiously optimistic that an improving demand-supply balance hints at improved average price growth to come in 2014.

Growth in household expenditure showed some signs of improving, however, consumers remained under pressure. Factors such as elevated consumer inflation; waning household credit growth; higher borrowing costs; and high levels of unemployment affected consumption and translated into subdued consumer confidence. Household debt levels to disposable income ratios remained high at 74,3% (2012: 75,8%). For this reason, management continued to carefully prioritise affordable pricing across all its products to remain attractive to cost-conscious customers.

While South Africa provides a solid home-base for the Group, it is also ideally situated to accelerate expansion plans into Africa. The International Monetary Fund expects sub-Saharan Africa to grow at around 5,5% annually to 2015, presenting exciting opportunities for expansion up the continent. The Group has delivered on a number of high profile projects and continues to benefit from relationships built over time with construction companies growing their business outside of South Africa's borders.

The benefits of investment in additional capacity and efficiency improvement initiatives were realised with major gains in productivity, despite energy supply challenges at SOEW. The division managed to expand production volumes and gain market share.

At Radiant, a refocus on the retail segment as well as improving customer service and sourcing of affordable product should lead to improvements in performance in the coming year. The division has continued to experience the effects of the changing landscape in this industry, with the ever increasing competition, change in consumer buying patterns, Dollar Rand exchange fluctuations and slowing demand materially affecting the performance of the division.

Leveraging already strong relationships with producers abroad, Radiant acquired a new business, distributing audio visual and electronic accessories under the brand name "What 4 Electronics". The Group will look to increase the range of reputable brands it is currently importing and grow the business both in South Africa and up the continent. Using locally developed testing capabilities, it is an opportunity to provide consumers with access to high quality, affordable electronics.

Government's focus on providing low income housing and implementing energy savings initiatives through parastatal Eskom, bode well for both SOEW and Radiant. However, the public procurement processes are affected by the public sector regulations which require certain protocols to be followed, resulting in the awarding of tenders taking far longer than in the private sector.

In 2012, SOEW tendered for a five-year contract to supply Eskom with aluminium conductors valued at R1,6 billion and copper low-voltage products worth R800 million. Radiant also tendered for a R100 million contract for the supply of five-million compact fluorescent lamps, as well as a R250 million contract for Eskom's residential mass roll-out, supplying light-emitting diode, geyser head, showerhead, geyser timer and pool timer products in 2012. As yet, no tenders have been awarded. We are hopeful that the award of these tenders would prove highly beneficial to the Group.

FURTHERING RESPONSIBLE GROWTH

While the Group delivered a reasonable all-round performance, it is important to consider financial and non-financial indicators of performance, including value creation for all stakeholders.

With 36 minor safety incidents recorded in the past year, investigations were undertaken in each case and corrective actions taken showing the seriousness with which management views workplace safety. A number of safety initiatives were implemented and are discussed in more detail in the sustainability section of this report.

The Department of Trade and Industry (dti) released the new BBBEE code in January 2014 and management will review the effects of these codes on the Group. Management is working to ensure that there is an improvement in its BBEE Rating despite the changes that have been announced by the dti.

South Ocean Holdings' is currently a Level 5 BEE contributor and plans to improve the rating each year. Particularly pleasing was performance on key measures such as Enterprise Development and Employment Equity.

Management continued to seek ways of promoting diversity in the workplace and through skills and training initiatives, to ensure that employees are given equitable opportunities to further their skills and training to enhance their career prospects.

As a proudly South African company, the Group contributed R15,2 million (2012: R17,8 million) to the national fiscus in direct and indirect taxes. It also remained committed to contributing to the communities in which it operates, investing R600 000 in focused corporate social investment interventions over the past year, particularly in the education sector. A further R2,1 million was allocated to enterprise development initiatives, where financial as well as non-financial support was provided to Small and Medium Enterprises.

LOOKING FORWARD

Key to improving national growth in the short to medium term are structural reforms related to labour laws and quality education, which remain fundamental to raising productivity growth. Normalisation of industrial relations is key. The implementation of the National Development Plan (NDP) is promising as it will ensure long-term expansion. Still, growth is likely to be modest at approximately 2,5% during 2014, due to strikes at platinum mines, energy supply constraints, and slow spending growth by consumers and businesses. The Board has planned accordingly and will try and minimise whatever impact these are likely to have had to the growth plan for the Group.

Through constant engagement with employees and unions, the Group aims to limit the risk of industrial action, and as a member of various industry organisations, participates in discussions with government and regulators affecting its areas of business.

The Group continues to identify opportunities, particularly in the public sector tender market and is well positioned to provide energy saving solutions to all its chosen markets particularly corporate and industrial clients. The Board is confident that the investment case remains sound, with opportunities to leverage its competitive advantages for long term success.

DIRECTOR CHANGES

Ms Debbie Tam, who has been a director of the Company since November 2010, resigned from the Board with effect from 31 December 2013. I would like to extend a word of gratitude and sincere appreciation to my fellow Board member who has served this Group well for a number of years.

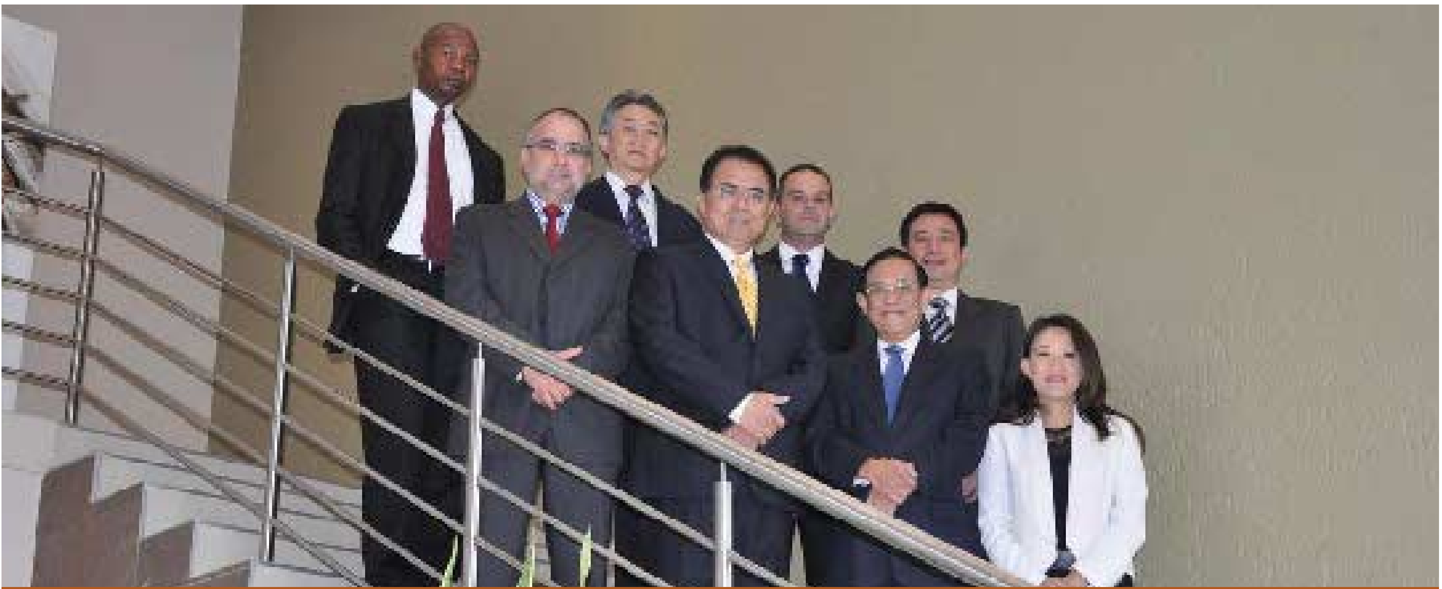
Mr Chia Chao Wu and Ms Mariam Lee resigned as alternate directors on 16 October 2013 and 7 March 2014 respectively and were replaced by Desiree Pan and Mr Benjamin Li on 16 October 2013 and 7 March 2014 respectively.

After five years serving as the Chairman of South Ocean Holdings, I decided to step down as a Board member and as Chairman on 31 March 2014.

CLOSING REMARKS

It has been a pleasure and privilege to serve as the Chairman through one of the most interesting times in the Group's history. Over the past five years, South Ocean Holdings has evolved into a competitive, strategically focused, robust company that, despite market turbulence and external challenges, has emerged a stronger and more resilient operator.

While modest economic growth is expected in South Africa over the next two years, I am proud that management has been able to demonstrate that no matter how challenging the external environment is, the Group is able to deliver on its strategic intentions, and ensure its sustainability into the future.



South Ocean Holdings Board of Directors

APPRECIATION

I extend my appreciation to the Board members, the management team and all our employees for their invaluable service to the Group. I further thank all the stakeholders and the many partners with whom we continue to work to grow the business and thereby create sustainable value for shareholders, and to meet the expectations of all stakeholders.

I would like to wish Mr Henry Pon success as he assumes the role of Chairman of the Group from 1 April 2014.

Ethan Dube
Chairman
31 March 2014

CHIEF EXECUTIVE OFFICER'S REPORT

Paul Ferreira, Group Chief Executive Officer

In a year characterised by difficult trading conditions and operational challenges, SOEW increased production, while a restructured Radiant improved its market share, resulting in increased revenues for the Group over the period.

It is testament to the resilience of the Group that production volumes at the electrical cable manufacturing facility increased, despite the electricity supply problem experienced at the Alrode factory, during February and March 2013, when 270 production hours were lost. Although competitive market conditions and a slowdown in the building industry impacted margins negatively, SOEW posted increased revenues for the year.

Radiant revenue increased during the year, driven by a restructuring initiative. Margins, however, decreased as the subsidiary refocused its strategy to respond to changing consumer buying patterns and an ever turbulent Rand Dollar exchange rate in an attempt to improve its market share. Margins were further affected by the increase in competition and aggressive pricing in the market by our competitors.

Earnings

Group revenue for the year ending 31 December 2013 increased by 20,2% (2012: 11,5%) to R1 690,9 million (2012: R1 406,3 million). The Group's gross profit decreased by 5,2% (2012: 0,9% increase) to R215,0 million (2012: R226,8 million) and the operating loss increased by 1,8% (2012: 220,3%) to a loss of R92,7 million (2012: R91,1 million). The trading results during the year were negatively affected by the electricity supply problem experienced during the first quarter that resulted in a material loss during that period.

The results for both years have been further affected by the goodwill impairment charge of R148,1 million (2012: R175,0 million). The goodwill arose through the acquisition of Radiant Group Proprietary Limited in 2007. The balance of the goodwill amounting to R148,1 million was impaired based on the results of a discounted cash flow valuation and future market conditions affecting the earnings of Radiant. The headline earnings, which excludes the impairment, have decreased by R23,9 million or 42,1% from R56,7 million in the prior year R32,8 million in the current year.

Group loss before tax increased by 5,4% (2012: 262,0%) to R111,1 million (2012: R105,4 million) compared to the prior period. The basic loss per share increased by 2,8% (2012: 358,0%) to a loss of 77,7 cents (2012: 75,6 cents) with the headline earnings per share decreasing by 42,1% (2012: 18,6%: increase) to 21,0 cents (2012: 36,3 cents). The operating cost includes a loss of R6,5 million on the sale of the Cape Town property.

Management is constantly evaluating all costs and reducing these where possible.

CASH FLOW AND WORKING CAPITAL MANAGEMENT

The cash generated from operating activities during the year amounting to R16,0 million is an improvement compared to the cash utilisation of R71,3 million in the prior year. This was mainly as a result of an improvement in working capital management as the significant growth in the prior years has stabilised. Inventory levels increased at Radiant compared to the prior period to accommodate suppliers closing during the Chinese New Year which moved closer towards the Group's financial year-end. The biggest increase in working capital amounted to R70,4 million which was the increase in trade receivables as a result of the increase in revenue during the last quarter of the year. The trade receivables book continued to be well managed in an increasingly challenging credit environment.

During the year the Group disposed of Radiant's Cape Town property to the value of R34,8 million, for which funds were only received after year-end. This amount was included in other receivables at year-end. The funds will be used to reduce the debt levels of the Group. The net working capital investment is currently at 28,8% of revenue. The Group invested R26,1 million (2012: R32,7 million) in capital expenditure which was primarily for capital expenditure at the electrical cable manufacturing segment which was financed by long-term borrowings.

The Group utilised R33,9 million (2012: R46,3 million) to repay its long-term interest-bearing borrowings. The Group's net cash utilised during the year of R16,0 million (2012: R136,2 million) increased the net overdraft balance as at the beginning of the year from R122,2 million to an overdraft balance of R137,4 million at year-end.

SEGMENT RESULTS

Electrical cable manufacturing – SOEW

During the first quarter of the year, production volumes decreased due to the electricity supply problem experienced at the Alrode plant. However, with production volumes increasing during the rest of the year and an 8,7% increase in the moving average Rand Copper Price during the period, revenue increased by 26,3% (2012: 17,9%) to R1 336,3 million (2012: R1 058,3 million).

Market conditions remained subdued for most of the year and margins were affected not only by the lower production volumes during the first quarter of the year, but also due to competitive forces.

SOEW continued to make capital investments to improve efficiencies and increase capacity at the Group's Alrode facility. Additional working capital funding was required to finance the increase in inventory and trade receivables relating to the increase in volumes, and was funded from normal credit facilities. Operational expenses also grew on the back of the overall increase in production volumes.

Lighting and electrical accessories – Radiant

Muted economic growth and increased pressure on consumers' disposable income caused a major shift in consumer spending patterns in the lighting and electrical accessories segment. This resulted in management undertaking a strategic reassessment centred on the changing macro-economic context and shifts in market dynamics.

A number of initiatives to improve customer service and streamline processes were undertaken by management, which have enabled Radiant to focus on its key markets. Upgrades to the Enterprise Resources Planning (ERP) system, and Warehouse Management Systems (WMS) were implemented. The Cape Town office was relocated closer to the clients base from Durbanville to Montague

Gardens in Milnerton. These initiatives enhanced logistics planning and were instrumental in the implementation of better controls and in the reduction of staff and overhead costs.

As a result of management's interventions, revenue increased by R18,8 million to R373,1 million from R354,3 million in 2012, representing an increase of 5,3% overturning the 2,6% decrease that was seen in the prior year.

Cost containment remained a priority and good progress was made as operating costs reduced by R1,9 million or 1,6% (2012: 4,1%), despite inflationary increases. In addition, Radiant's ERP solution was upgraded and a warehouse management system was implemented at year end to enhance stock control, despatching of deliveries and service to customers.

Through Radiant, the Group acquired a new business, distributing audio visual and electronic accessories under the brand name "What 4 Electronics" which is in line with the Group strategy of product diversification. The previous management of What 4 Electronics remained in charge of the daily operations and continue to trade autonomously within the Radiant structure ensuring focus on the growth of this division.

Property investment – Anchor Park

During the year the property in the Western Cape was disposed of for R34,8 million resulting in a capital loss of R6,5 million. The interest-bearing borrowings taken out to finance the properties will be paid up in June 2014. The Group is in the process of acquiring another property adjacent to the operations of SOEW in Alrode for expansion which is to be financed from long-term interest bearing borrowings.

SOH Calibre

Management took a strategic decision, after renegotiating commission rates with our procurement agent, to strengthen its relationship with the current procurement agent in China that has been tasked with sourcing, price negotiation, managing of supplier relationships and planning of deliveries. The agent is also responsible for quality control. With the strengthening of the relationship with the current agent the initiative to have SOH Calibre as a procurement channel has been reviewed and as such it has been considered not to be cost effective. SOH Calibre was closed at the end of December 2013.

PROSPECTS

Market conditions are expected to remain challenging during the 2014 financial year. However, we believe that Radiant is positioned to increase its revenue despite the current challenging market. The Group results are not going to be further affected by any impairment as the entire goodwill resulting from the acquisition of Radiant has been fully impaired.

SOEW will continue to increase production during the financial year and trading results are expected to be better than the previous financial year. Cost control and improving working capital will continue to be key themes, as will leveraging operational efficiencies and capitalising on existing marketing opportunities. Exploring expansion opportunities outside of South Africa's borders, as well as pursuing a strategy of diversification, will remain priorities in the year ahead.

APPRECIATION

On behalf of the management team, I would like to extend thanks to our employees, as well valued customers, suppliers, advisors, business partners and shareholders for their dedicated support. In particular, I would like to thank the outgoing Chairman, Ethan Dube, for his wise and constructive counsel and leadership during the past five years. We wish him all the very best as he pursues new and exciting opportunities. We also welcome Henry Pon as Chairman of the Board from 1 April 2014 and look forward to building on the Group's performance in the year ahead under his leadership.

Paul Ferreira
Group Chief Executive Officer
31 March 2014

COMMENTARY (CONTINUED)

SOEW– REVIEW OF OPERATIONS

KEY MANAGEMENT

Paul Ferreira (44)

CHIEF EXECUTIVE OFFICER

Paul has been the Chief Executive Officer of the South Ocean Holdings since July 2011. He was the Chief Operating Officer of South Ocean Holdings prior to this. Paul joined SOEW in 1999 as Marketing Operations Manager and was appointed Marketing Director in February 2007 and Chief Executive Officer of SOEW in August 2008. He has pursued a career in marketing electrical cables for the past 21 years.

Yasmin Mahomed (47)

EXECUTIVE DIRECTOR

Yasmin was appointed Sales Director of SOEW in March 2010. She joined SOEW in October 2002 as a sales consultant. She was appointed Sales Manager in 2007 and she was in the cable industry for 16 years before joining SOEW. She started her working career in 1987 at a large cable manufacturer in South Africa.

Johan Prinsloo (40)

DIVISIONAL DIRECTOR: FACTORY OPERATIONS

Johan was appointed Divisional Director of Factory Operations at SOEW in 2010. He joined SOEW in 1999 as an electrician. He was appointed Technical Manager in 2006 and Production Manager in 2009. He is a qualified millwright by trade. Johan has 12 years' cable and technical experience.

Dean Johnson (47)

DIVISIONAL DIRECTOR: FINANCE

Dean was appointed Divisional Director of Finance at SOEW in 2010. He joined SOEW in May 2009. After qualifying as a Chartered Accountant, Dean was appointed as Financial Manager for a manufacturing business in 1993 and was later appointed Financial Director of that group. He has also worked in the FMCG and IT industries. Dean is a member of the South African Institute of Chartered Accountants.

SOUTH OCEAN ELECTRIC WIRE COMPANY (PTY) LTD

SOEW accounted for 78,1% (2012: 74,9%) of Group revenues and 71,9% (2012: 61,5%) of Group EBITDA for 2013.

The full benefits of the Group's investment in additional capacity over the past two years in new machinery and capacity at SOEW's Alrode facility, became evident during the reporting period. After a 3-month period of intermittent disruptions to production during the months of February and March, due to electricity supply challenges at the Alrode factory, SOEW's management was successful in implementing a new operating model.

Following the municipality's replacement of a faulty cable supplying the factory's transformer at the end of April 2013, management focused on increasing volumes, streamlining the production process and improving operational efficiencies in order to contain costs and increase production. The resultant increase in production volumes and revenues was nothing short of impressive and showed SOEW's resilience in a highly competitive market.

Revenue: R1 336,3 million

EBITDA: R51,9 million

COMMENTARY (CONTINUED)

SOEW – REVIEW OF OPERATIONS (CONTINUED)

PERFORMANCE

The Rand Copper Price reached a peak of R72 443 (2012: R67 482) per ton, with the average RCP for the year of R70 060 (2012: R64 109) per ton representing an increase of 8,4%.

Operational expenses were in line with the overall increase in production volumes.

OPERATIONS

The subsidiary continued to operate a world-class facility which meets the highest health and safety standards and environmental legislation requirements. SOEW complies with all relevant legislation, regulations, codes of practice and industry standards. The subsidiary aims to constantly improve its health and safety performance and considers safety a non-negotiable.

SOEW continued to provide quality products to its customers, using its quality control facilities and testing laboratory to ensure all products comply with SABS standards and the ISO9001:2008 quality management system.

The subsidiary worked progressively towards improving its environmental performance, limiting scrap and managing waste disposal, as well as looking for opportunities to save energy.

PEOPLE

The total staff complement for SOEW was 446 at the end of the reporting period. This represented a 3,7% increase from the prior year.

SOEW recognises that ongoing investment in talent development, skills, training and employee upliftment is crucial to address the shortage of skills in the industry. The subsidiary views the investment in its employees as underpinning its competitive advantage and ensuring the long-term sustainability of its business. Employees are given the opportunity to participate in skills development and training programmes, mentorships, career planning and regular performance appraisals to ensure their career growth.

Employees from a variety of levels of the organisation attended various training courses, including health and safety workshops as well as industrial relations training and adult education at a total cost of R92 000.

The subsidiary has established a number of participative structures where management and employees are able to engage and discuss matters of mutual interest. SOEW recognises the right of all its employees to freedom of association, and supports the rights of its employees to join a trade union and to be represented by it for collective bargaining purposes. Over the past year, the subsidiary also focused on ensuring procedures related to human capital management were in line with best practice.

SOEW made significant strides in transforming its workforce to reflect the demographics of South African society. The subsidiary's employment equity policy requires that equal opportunities be offered to all employees. It seeks to create an environment in which individuals who demonstrate commitment and ability are able to develop their careers to their fullest potential.

LOOKING FORWARD

An important market for SOEW is the construction sector and there are a number of encouraging signs that the construction industry's performance will improve. The South African Government's infrastructure development plan and the Presidential Infrastructure Coordinating Commission (PICC) set up to coordinate infrastructure expenditure between the three different spheres of government are positive signals for future growth in the industry. However, with the awarding of tenders having been slower than anticipated, the translation of budget into implementation remains a challenge. Pressure on the mining sector due to continuing industrial action and diminishing margins, is likely to hamper a recovery in the domestic construction sector.

For this reason, the subsidiary is looking beyond South Africa's borders and exploring opportunities to export copper wire into the continent. With new construction projects and trusted relationships with customers, SOEW stands to benefit from Africa's growing demand for construction materials.

In the year ahead, management will continue to focus on cost containment, sustaining production growth and providing an excellent end-to-end service experience to SOEW's loyal customers.

RADIANT – REVIEW OF OPERATIONS

KEY MANAGEMENT

Farhad Ally (40)

EXECUTIVE DIRECTOR: MANAGING DIRECTOR

Farhad was appointed Managing Director of the Radiant Group with effect from 1 February 2013. He was previously appointed General Manager: Finance and IT in 2010 and as executive Financial Director in August 2011. Prior to this he was employed as an audit manager at a firm of public accountants and auditors. Thereafter, he moved to an FMCG company and financial services company. Farhad has experience in internal and external auditing, finance, taxation and business analysis. He is a member of the South African Institute of Professional Accountants and the Institute of Directors in Southern Africa.

Gerard Pillay (55)

EXECUTIVE DIRECTOR: PROCUREMENT

Gerard was redeployed as Procurement Director towards the end of 2012 to strengthen Radiant's procurement division, which is the lifeline of the business. He was previously the Managing Director of Radiant from May 2010 to November 2012. He joined Radiant in 2005. Gerard was responsible for the development of Radiant's lamps division. In 1998 Gerard started Lohuis, an importer and distributor of lamps in South Africa, which merged with Radiant in 2005. Gerard has 33 years' experience in the lighting industry.

Wouter Le Fevre (33)

FINANCIAL MANAGER

Wouter Le Fevre was appointed as Financial Manager at Radiant Group Propriety Limited in May 2014. He has a BCompt (Honours) degree and qualified as a Chartered Accountant in January 2014. Wouter was previously an accountant at a manufacturing company since 2005 and progressed to a branch manager in 2012. Prior to that he completed his training contract at Spilman & Lipschitz, a firm of Chartered Accountants. Wouter is a member of the South African Institute of Chartered Accountants.

COMMENTARY (CONTINUED)

RADIANT – REVIEW OF OPERATIONS (CONTINUED)

Radiant accounted for 21,9% (2012: 25,1%) of Group revenues and 24,9% (2012: 24,0%) of Group EBITDA for 2013.

The light fittings, lamps and accessories market has seen increasing competition over the past year. With a number of new market entrants into the LED market and more customers importing their own products, combined with downward pressure on prices.

Radiant has built its reputation on providing high-quality products to the local market and this remains an important pillar of its operating model. The subsidiary's fully fledged local testing facility enables it to test all products and benchmark them against competitors. With cost-conscious consumers switching to lower-priced ranges, the subsidiary reduced prices on some ranges in line with the competition and the procurement division introduced an "Econo Range", importing quality products at more competitive prices.

The subsidiary also focused on procuring reasonably priced standard fittings, rather than high-end expensive chandeliers to suit changing spending patterns.

Revenue: R373,1 million

EBITDA: R19,0 million

PERFORMANCE

While Radiant posted a growth in revenues of 5,3% to R373,1 million, profitability declined due to erosion of margins resulting from increased market competition.

The Retail division reported steady growth in sales, with the Electrical and Projects divisions posting the strongest performance. LED technology continued to drive market shifts towards energy saving products. Radiant is ideally positioned to offer energy saving solutions to customers such as corporates and franchises and continues to be a key player in this space.

Despite the delayed awarding of the Eskom tenders, Radiant continued to list its energy efficiency products with the parastatal, with the aim of installing these products in corporate buildings and informing end users of the benefits of using energy efficient products.

On the wholesale side, increased competition drove pressure on margins, but a customer categorisation exercise enabled management to analyse customer data and target new sales, accordingly.

The projects division showed excellent growth, with a number of established clients continuing to choose Radiant as the major supplier for their new developments.

The export market into Africa showed potential and a new Exports Account Manager was appointed to take advantage of further opportunities in untapped markets. Radiant's niche in offering the medium- to low-end market a choice of quality, price and packaging, bodes well for expansion up the continent.

The Clearance Outlet is a main driver for end-of-range lines and remains the only sales division selling direct to the public. Gestures, the subsidiary's Corporate Gift division, experienced an increase in revenue since it was established in 2012. It is well positioned to drive high volumes at competitive prices. A number of tenders were submitted to various companies and government institutions and feedback is awaited.

"What 4 Electronics", a new division was added to Radiant's portfolio, selling audio visual hardware and accessories to the consumer electronic market presents a new area of growth for the subsidiary. An entrepreneurial approach, centred on bringing the latest technologies to customers through active dealers countrywide will enable the subsidiary to diversify its revenue stream.

In focusing on Radiant's key strategic objective of distribution, the assembly and repairs division have been outsourced to, Icembu Services, a company within the Group.

Additional inventory lines such as air conditioning units, extension cables, hand dryers and other new items represent opportunities for diversification of Radiant's product offering.

Radiant relocated its Cape Town operations to Montague Park in Milnerton from Durbanville to improve accessibility for customers. Other positive spinoffs include cost containment, better controls and enhanced logistical management.

Given that Radiant procures the majority of its products from various international manufacturers, input prices are correlated with foreign exchange movements of the Rand. The average Rand versus Dollar exchange rate weakened by 24,3% during 2013 and this impacted pricing and cost of sales. Only marginal increases were passed onto customers hence the reduction in the profit margins.

OPERATIONS

With a renewed focus on the Retail division, Radiant initiated in a number of improved customer service initiatives. A comprehensive analysis of Radiant's customer base was undertaken, providing valuable data and categorisation of customers. A new customer relationship tool was also implemented and will allow for more accurate measurement and analysis of customer query statistics. A customer satisfaction survey helped management track performance and identify areas for improvement.

With a significant number of all websites browsed through mobile phones in South Africa, further development of the subsidiary's website to allow for mobile capabilities will be undertaken in the coming year. Technology underlies performance improvements and to assist Radiant in streamlining its daily operations, a new WMS was also implemented. This enables employees to capture sales, pick stock and track collections, local and courier deliveries, using a handheld scanner.

PEOPLE

Radiant's 258 employees (2012: 373) are central to Radiant's sustainability over the longer term. The main reasons for the decrease in employee numbers is due to streamlining of the Cape Town operation resulting in reduction of staff plus staff transferred to the Icembu Services operation. The subsidiary continued to invest in the development of its staff, with all employees up to executive management level, undergoing customer service training. In addition, mid to senior management attended a course on industrial relations to help them better manage workplace relations.

Encouraging diversity and equality in the workplace remains a priority for management and Radiant continues to work towards achieving employment equity targets as outlined in the latest BBBEE Codes.

Recognising the important role of Radiant employees in providing excellent customer service, an incentive award was introduced to reward top achievers in each department. The initiative proved successful in motivating staff and driving productivity.

The subsidiary is also investigating implementing an employee wellness scheme to assist employees to better manage their health, with potential positive productivity gains.

LOOKING AHEAD

Key themes for the year ahead will be improving customer service, enhancing logistics functions, increasing sales and positioning the subsidiary as a supplier of choice in a busy marketplace.

The refined business model is built on effective and efficient procurement of good quality products at competitive prices; world-class logistical capabilities including inbound and outbound logistics, warehousing and stock management and return logistics; as well as a strong and motivated sales team.

New catalogues for showcasing the subsidiary's latest products will be launched in the year ahead, and, supported by new marketing initiatives are expected to underpin future sales drives.

A pipeline of development projects from major clients on the projects side remain key growth areas for Radiant in the year ahead.

"What 4 Electronics" presents an excellent opportunity for Radiant to make inroads into the audio visual market.

The current export drive will also see Radiant making headway into new markets in emerging economies.

While operating conditions are expected to continue to be challenging for the subsidiary, a reorganised Radiant is set to deliver improved results in the year ahead.

SUSTAINABILITY REPORT

INTRODUCTION

During the 2013 financial year, the Global Reporting Initiative (GRI) was finalised and amendments to its sustainability reporting framework and sustainability reporting guidelines was approved. These guidelines are recommended for the production of a sustainability report for companies and although not mandatory, companies that consider sustainability important in their strategic direction expected to work towards ensuring their compliance with the framework.

South Ocean Holdings regards sustainable development as an integral and essential part of conducting business. The Board through its management always strives to inform our stakeholders in terms of the pillars of sustainability namely, economic, social, environment and human rights.

This report deals with the recommended sustainability reporting aspects as recommended by the GRI Framework. These are in addition to any standard items the Group wants to disclose to the stakeholders which have an impact on sustainability. Some of the requirements are contained in the Corporate Governance Report which deals mostly with the governance aspects of the Group's reporting.

EMPLOYEES

Employment equity

South Ocean Holding's long-term success depends on its ability to attract, retain and develop our employees.

Recruitment and management of employment processes has always been a key focus for management as they strive to recruit and retain talented and experienced employees with a true potential.

The management of the workforce is also dependent on the demographics within the country and the requirements of the various legislations that affect this aspect of the Group. The Group always endeavours to ensure working environment favourable for its employees that are motivated to engage and contribute their best efforts to the achievement of the organisational goals.

The Group reduced its number of employees during the year due to a number of initiatives that were implemented to increase efficiency, focus and productivity at Radiant. The Cape Town property was sold and the operations were relocated to an area closer to customers resulting in the reduction in a number of staff requirements. Radiant also outsourced a portion of its transport requirements to a logistics company to help streamline the delivery services and a number of positions that arose as a result of natural attrition were not filled as the responsibilities were redistributed amongst existing staff members.

At year-end, the categorisation of employees profile was as follows:

Workforce profile

	White		ACI		Non-resident		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Total workforce	**104**	133	**601**	652	**37**	28	**742**	813
Less non-executive directors and non-permanent staff	**–**	–	**(4)**	(7)	**(3)**	–	**(7)**	(7)
	104	133	**597**	645	**34**	28	**735**	806
Gender profile								
Male	**75**	86	**474**	540	**25**	23	**574**	649
Female	**29**	47	**123**	105	**9**	5	**161**	157
	104	133	**597**	645	**34**	28	**735**	803
Occupational level								
Directors	**2**	2	**–**	–	**–**	–	**2**	2
Male	**2**	2	**–**	–	**–**	–	**2**	2
Female	**–**	–	**–**	–	**–**	–	**–**	–
Senior management	**18**	17	**14**	10	**2**	1	**34**	28
Male	**14**	13	**9**	6	**2**	1	**25**	20
Female	**4**	4	**5**	4	**–**	–	**9**	8
Professionally qualified and middle management	**14**	17	**18**	16	**4**	2	**36**	35
Male	**10**	12	**16**	13	**3**	2	**29**	27
Female	**4**	5	**2**	3	**1**	–	**7**	8
Skilled and technical	**42**	45	**43**	84	**13**	10	**98**	139
Male	**30**	32	**32**	64	**8**	6	**70**	102
Female	**12**	13	**11**	20	**5**	4	**28**	37
Semi-skilled and unskilled	**28**	52	**522**	535	**15**	15	**565**	602
Male	**19**	27	**417**	458	**12**	14	**448**	499
Female	**9**	25	**105**	77	**3**	1	**117**	103
	104	133	**597**	645	**34**	28	**735**	806
Disability profile								
Disabled	**2**	3	**13**	13	**1**	–	**16**	16
Male	**2**	3	**13**	13	**1**	–	**16**	16
Female	**–**	–	**–**	–	**–**	–	**–**	–
Non-disabled	**102**	130	**584**	632	**33**	28	**719**	790
Male	**73**	83	**461**	527	**24**	23	**558**	633
Female	**29**	47	**123**	105	**9**	5	**161**	157
	104	133	**597**	645	**34**	28	**735**	806

Age profile	White	ACI	Non-resident	Total
	2013	**2013**	**2013**	**2013**
Under 30 years	**29**	**196**	**12**	**237**
Male	**18**	**148**	**9**	**175**
Female	**11**	**48**	**3**	**62**
Over 30, but less than 50 years	**41**	**323**	**18**	**382**
Male	**32**	**256**	**12**	**300**
Female	**9**	**67**	**6**	**82**
Over 50 years	**34**	**78**	**4**	**116**
Male	**25**	**70**	**4**	**99**
Female	**9**	**8**	**–**	**17**
	104	**597**	**34**	**735**

SUSTAINABILITY REPORT (CONTINUED)

Various regulations in South Africa affects the employment profile as well the recruitment and the staffing needs of the Group. To comply with the requirements of the employment equity legislation, management continuously reviewed its compliance with it on a periodic basis. Management ensures a representative workforce in various employment and equity committees as required by the Act.

As can be seen from the workforce profile, 81,2% (2012: 80,3%) of South Ocean Holdings' employees within the Group are from the designated groups with 38,9% (2012: 33,3%) of senior management staff being from the designated groups. The number of female employees amount to 21,9% (2012: 19,5%) an improvement on the prior year. Of the total employees, black female employees consist of 16,7% (2012: 13,0%).

Unfair discrimination in the workplace is discouraged and management deal with such issues decisively as soon as they are identified. Where possible, preference is given to existing employees for all the vacancies available within the Group to establish continuity and maintain smooth process in equity management.

Employee development

Employee development is not only vital for the benefit of staff, it is taken as a key strategic imperative for the continued survival of the Group. In addition to planned training and development opportunities, management does look favourably to any suggestion brought to its attention by employees, and encourages self development by offering financial support where necessary and in certain instances providing venues for the provision of funded training for employees. In many instances, the Group funds learnerships, ABET courses and other SETA approved training. During the first half of the year, 39 learners (9 female and 30 male) who participated in learnerships commencing during the prior year completed their training at a total cost to company in excess of R1,7 million. The learnerships were targeted at the skilled and lower to middle management. In addition, the Group also spent a further R273 000 in training and developing some of its employees that were not on learnerships. About 60 employees attended various personal development training courses sponsored by the Group ranging from certificates, diplomas and seminars. In addition, about 483 employees within the Group were trained in various job-related, third party and in-house supported development courses ranging from the lowest person within the Group to the respective company's executive management.

HIV and Aids

The Group provides HIV and Aids awareness programmes to all its employees at SOEW and it also encourages its employees to attend educational sessions, to take the necessary precautions to prevent infection and to regularly check their status. The Group cannot establish the HIV prevalence rates amongst its employees from the HIV data maintained.

Staff turnover

The Group's employment processes are geared towards recruiting talented employees including those with high potential. Depending on the level of skill required, leadership capabilities are also considered together with the employment equity plans of the Group. South Ocean Holdings strives to maintain low staff turnover levels without compromising on performance levels and delivery of its workforce. Following the recession, the Group's workforce has remained relatively stable and management continues to position the Group for an upturn in the market. During the year, 197 employees resigned mainly as a result of the reorganisation of the operations in Cape Town, expiry of their temporary employment contracts, dismissals and resignations.

Employment incentives

All employees within the Group are remunerated based on a properly structured salary scales which are continuously being benchmarked against the market on a periodic basis. To encourage employees to put in an above average effort and as a tool to retain staff, the Group occasionally pays incentives depending on the profitability and achievement of its set target.

The details of the short- and long-term incentives in place are fully set out in the remuneration report on page 38. SOEW has an attendance bonus scheme, which bonus is payable to employees that have not taken any sick leave during the year and is paid to employees at year-end.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

Black Economic Empowerment has been a part of the South African business environment for a number of years and has had an enormous impact on the sustainability of South African businesses. To qualify as a supplier to a municipality, public and quasi-public sector entity, a company has to comply with BBBEE legislation. During this period the Group improved its BEE Status level from Level 6 in the prior reporting period to Level 5 during this financial reporting cycle.

HUMAN RIGHTS

South Ocean Holdings ensures that its employees are afforded the dignity and respect they deserve as enshrined in its constitution. The Group and all its operating entities ensure that none of its policies and procedures are in contravention of their human rights as contained in the various regulations.

CHILD LABOUR

In its normal activities, the Group procures its services from a number of suppliers who reside in various jurisdictions and are governed by various legislative frameworks within and outside South Africa. The Group is against any form of child labour. Although the Group has not specifically embarked on a campaign to find out its stakeholders position regarding child labour, it has not encountered any instance where it felt that the issue of child labour is a concern.

FREEDOM OF ASSOCIATION

The Group recognises trade unions that are sufficiently representative of employees at the appropriate organisational level. South Ocean Holdings gives its formal assurance that employees may associate with employee representative organisations and trade unions. There were no violations of freedom of association and collective bargaining principles during the year. In line with its Code of Conduct, employees are encouraged not to perform any acts that conflict with freedom of association. SOEW's employees at the cable plant and those of Icembu belong to the National Union of Metalworkers of South Africa (Numsa). The rest of the Groups' employees are not unionised. The Group does not place any restrictions on any of its employees regarding their need to belong to a trade union. At year end, 213 (2012: 197) SOEW and 11 Icembu employees were members of Numsa.

SECURITY PRACTICES

In its effort to improve the understanding of human rights by its staff, the Group ensures that its loss control personnel have been trained in the Group's human rights policies. In addition, it also has to ensure that third-party security personnel is clear and understands the Group human rights policy. The Group has ensured the policy is continuously developed and understood by all its employees.

As yet, there have been no incidents of human rights violations that have been reported to the Group or about its loss control personnel during the year. The Group has also not done any human rights reviews on its operations to establish their impact on human rights.

VALUE CREATION

Making a positive contribution to society South Ocean Holdings' financial contribution to society is summarised in the Group's Value Added Statement. Despite challenging market and trading conditions over the years, the Group has managed to maintain its value creation ability with the value added per employee being reported at R284 000 (2012: R289 000). The total value created during the year, however, decreased by 11,4% to R211,9 (2012: R239,2) million. Employees are still the biggest recipient of value. Value added per employee and wealth created per employee reduced to R284 000. Gross contributions to central and local governments decreased by 14,4% (2012: 0,4%).

GOVERNANCE (CONTINUED)

SUSTAINABILITY REPORT (CONTINUED)

During the past five years, South Ocean Holdings' value add can be summarised as follows:

VALUE ADDED STATEMENT

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
Revenue	**1 690 921**	1 406 317	1 261 019	1 138 130	957 972
Paid to suppliers and providers of services	**(1 480 484)**	(1 171 047)	(1 047 886)	(905 445)	(770 945)
Value added	**210 437**	235 270	213 133	232 685	187 027
Income from investment	**1 468**	3 950	2 670	7 630	14 535
Total value created	**211 905**	239 220	215 803	240 315	201 562
Distributed as follows:					
Employees	**129 312**	129 557	112 906	123 880	117 947
Providers of capital	**18 885**	14 788	10 976	18 146	18 531
Finance costs	**18 885**	14 788	10 976	13 455	18 531
Dividends	**–**	–	–	4 691	–
Government	**15 215**	17 781	17 860	26 383	17 949
Income taxation	**10 154**	13 340	13 975	22 519	15 493
Rates and taxes	**2 355**	2 189	1 633	1 562	812
Skills development levy	**1 238**	993	993	629	649
Customs and excise	**1 468**	1 259	1 259	1 673	995
Retained for growth	**48 493**	77 094	74 061	71 906	47 135
Depreciation, amortisation and impairment	**168 914**	195 635	22 642	18 388	18 157
Deferred taxation	**203**	(417)	5 276	1 748	(2 679)
Retained profit	**(120 624)**	(118 124)	46 143	51 770	31 657
Total value distributed	**211 905**	239 220	215 803	240 315	201 562
Value added statements ratio analysis					
Number of employees	**742**	813	711	641	651
Revenue per employee (R'000)	**2 279**	1 730	1 774	1 776	1 472
Value added per employee (R'000)	**284**	289	300	363	287
Average salary per employee (R'000)	**174**	159	159	193	181

STAKEHOLDERS

Engaging our stakeholders

Continuous engagement with various stakeholders is an important element of South Ocean Holdings' sustainability strategy. It gives the Group an opportunity to evaluate plans and align them with the respective needs and expectations of the stakeholder groups.

South Ocean Holdings aims to engage regularly, openly and honestly with stakeholders involved in and affected by its operations. This gives the Group an opportunity to evaluate plans and align them with the respective needs and expectations of the stakeholder groups. In addition to the legal communication requirements of a listed entity, through these relationships the Group is able to identify and report on any issues that may arise as a result of these interactions. A stakeholder engagement map as indicated below gives a summary of some of the communication channels and strategies employed by the Group in its stakeholder management.

Through these relationships the Group is able to identify and report on any issues that may arise as a result of these interactions.

Stakeholder	Method of communication
Customers	• Advertisements • Website • Annual report • Exhibitions
Shareholders, investors and analysts	• Annual General Meeting • Bi-annual results presentations • Presentations at institutional showcases • Annual report • Investor relations • Corporate website • Investment updates on SENS
Industry	• Illumination Engineering Society of South Africa (IESSA) meetings
Government and regulators	• Specific meetings • Industry forums • Adherence to legal reporting requirements
Employees	• Intranet • Union meetings • Shop steward meetings • Face-to-face meetings • Communication boards • Internal newsletter
Business organisations	• Face-to-face meetings
Suppliers and service providers	• Regular meetings • Attending industry shows • Periodic communication from the respective business managers
Media	• Media releases • Radio interviews • Road shows • Presentations

ENVIRONMENT

Group management and the Board recognise the importance of climate change for the continued sustainability of the environment. Management actively seeks for opportunities to contribute positively to the environment by analysing its environmental footprint in all its operations.

OCCUPATIONAL HEALTH AND SAFETY

Employee safety is of primary concern, and compliance with safety rules and procedures is rigorously enforced, including the wearing of personal protective equipment. Instances of workplace injuries and accidents are fully investigated, and where necessary, steps are taken to avoid future incidents. There are currently no outstanding claims which require employees to be compensated for health and safety incident.

Occupational health and safety standards are covered by prevailing occupational health and safety regulations. In order to ensure a balanced management approach, the Group operates health and safety committees that ensure it abides by these provisions. The committees consist of senior management and health and safety representatives selected from the floor. During the year, the Group subsidiaries have recorded the following statistics regarding health and safety:

	Radiant		SOEW	
	2013	2012	**2013**	2012
Number of minor incidents	**4**	6	**32**	29
Occupational disease rate (not tested)	**–**	–	**–**	–
Absenteeism rate	**2,8%**	3,8%	**3,8%**	3,9%

There were no fatal incidents that were reported for independent contractors and non-permanent staff working on the premises. There was one (2012: 3) injury incident that resulted in time lost at SOEW and no other incidents of days lost. Time was also lost due to absenteeism as reported above. 31 (2012: 26) employees received medical attention (first aid) due to minor injuries during the year.

Meetings are scheduled on a regular basis depending on the working environment and requirements. The committees report on compliance issues and safety incidents and make recommendations on areas for improvement and the disposal of hazardous material. Appointment of safety representatives, first aid practitioners and overseeing safe operation of equipment are amongst its functions.

SUSTAINABILITY REPORT (CONTINUED)

WASTE MANAGEMENT

Radiant uses a comprehensive waste recycling programme which it started more than two years ago. Streams of waste that are monitored include aluminium, paper, glass and packaging. The waste management process that Radiant employs has helped reduce landfill waste resulting in financial savings as the recovered waste is recycled and re-used in packaging or is collected, recycled and sold.

All lamps containing mercury are disposed of using a reputable waste management company. SOEW focuses on minimising waste at its Alrode operation. To optimise the financial recovery from scrapped products, the subsidiary installed a granulating plant which is used to separate PVC casings and copper. Scrap recovered during the year was 1 905 and 1 849 tonnes in 2012, which was processed through the granulator.

All lubricants and oils used in SOEW's manufacturing processes are collected and recycled by a third party. In addition, there is a focus on ensuring maximum efficient use of operating equipment over its lifetime, with ongoing maintenance being an important part of this strategy. During the year, SOEW generated 924 (2012: 792) cubic metres of non-hazardous waste and 24 (2012: 24) cubic metres of hazardous waste of which 8,7 (2012: 9,7) cubic metres were sent for recycling.

ENERGY USAGE

Radiant distributes occupancy sensors which help reduce energy by sensing the occupancy of the rooms and switch on or off the lights depending on the need. The Group has implemented these sensors throughout its offices resulting in reduced energy usage. The Company has also revamped the offices using new technology with energy efficiency lamps resulting in further energy savings.

The Group has a solar panel demonstration unit at its Radiant Johannesburg office resulting in reduction of the Company's energy usage and electricity costs. The Group continues to investigate all possible ways of saving on energy usage.

After working 813 504 hours (2012: 784 320 hours) during the financial year, SOEW used 13,7 MWH (2012: 11,7 MWH) of electricity in 2013, which represents 17,1% more energy compared to the prior year. This translates to a 2,7 (2012: 4,8) KWH per hour worked. This was achieved mostly through the replacing of older electrical panels and power factor correlation equipment, a process to be completed in the 2014 financial year.

WATER MANAGEMENT

Water usage by SOEW in its production processes is minimal and has very little impact on the environment. During the year SOEW used 2 239 (2012: 3 772) kilolitres of water.

The Group continues to look for opportunities to participate in community initiatives to preserve water.

ENVIRONMENTAL IMPACT ASSESSMENTS

Whenever the Group embarks on new projects or expansions, it undertakes an environmental impact assessment. No assessment were required in the period under review. No new green initiatives were implemented.

PRODUCT QUALITY

The Group operating companies are certified compliant with ISO 9001:2000 and ISO 9001: 2008 Quality Management Standards. There are quality control facilities and a testing laboratory located at both Radiant and SOEW to ensure quality products and standards. All products are certified compliant with the standards as approved by SABS.

POLITICAL POLICY

The Group does not take part in any political activity as an entity. To this end, other than donations that are meant to support the communities in which it operates it does not provide any donations to any political or related party as an organisation. Where one of its organisational objectives are in tandem with those of any party it does not discriminate merely because it is a political party and neither does it evaluate differently because of that fact. During the year under review, no donations were made to any political or any similar organisation.

ENTERPRISE AND SOCIAL ECONOMIC DEVELOPMENT

The Group views corporate social investment (CSI) as vital for empowering previously disadvantaged individuals and uplifting communities. During the year, both Radiant and SOEW undertook community projects aligned to their businesses and serving communities close to where they operate.

South Ocean Holdings develops partnerships that promote social and economic development and benefit the communities in which it operates. During the year, both Radiant and SOEW undertook community projects aligned to their businesses to empower previously disadvantaged individuals, uplift communities and serve communities close to where they operate. The Group also allowed its working place to be utilised for blood donation campaigns, where staff donate blood.

Palm Ridge School

Due to the additional financial needs of Palm Ridge School, near Alrode, the Group further donated various Radiant light fittings valued in excess of R500 000 to Palm Ridge School. The school is a 'no fees school' which caters for the needs of these communities. It services the feeder areas of Palm Ridge, Eden Park, Silumaview, Greenfields, Phola Park, Sinwaba Park, Katlehong and Thokoza.

Palm Ridge School has about 2 360 learners and the governing body continually seeks other avenues to supplement the school's income. The donation from South Ocean Holdings assisted the school to undertake further fundraising and to cover some of its operating costs.

Molwent enterprise development initiative

During September 2013, Radiant donated further inventory in excess of R2,4 million to Molwent, an SME operating in Cape Town. The stock will be used to help increase the businesses' revenue streams. In addition, Radiant identified non-financial support as an important ingredient of business success and provides ongoing advice and support to the company as part of its enterprise development programme.

ANTI COMPETITIVE BEHAVIOUR

The Competition Commission had announced on 19 March 2014 that it had referred a complaint against SOEW and three other competitors to the Competition Tribunal for possible price fixing and market allocation in contravention of the Competition Act. The Commission asked the Tribunal to impose an administrative penalty of 10% of annual turnover on each of the entities involved, except for Aberdare Cables, which had been granted conditional leniency. The referral arises from a complaint that the Commission first initiated on 16 March 2010 against SOEW, Aberdare Cables, Alvern Cables and Tulisa Cables, and which was referred to in the SENS announcement, dated 6 May 2010.

GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE

South Ocean Holdings' corporate governance provides the framework for effective, ethical leadership to integrate strategy, governance and sustainability.

INTRODUCTION

The South Ocean Holdings' Board of Directors (the Board) recognises that sound corporate governance practices are essential to the success and sustainability of the Group, and is committed to applying the recommendations of the King Report on Governance for South Africa 2009 (King III Code) where relevant. An assessment of the Company's compliance with the principles contained in the King III Code was undertaken during the year under review and areas of non-compliance are explained in this report.

South Ocean Holdings' commitment to compliance with effective corporate governance is unquestionable as the Board feel it is a pre-requisite to ensuring long-term sustainable business that creates value for stakeholders. The Group therefore embraces the principles of integrity, transparency and accountability in its dealings with all its stakeholders.

Executive Management, with the guidance of the Board and the Company Secretary, continue to occupy the centre stage in ensuring existence of efficient and effective governance processes. The Board is the accountable structure and is responsible for the Group corporate governance system and its performance. Board reporting processes regularly involve compliance issues with the applicable principles as prescribed by the King III Code, JSE Listings Requirements, Companies Act, 2008 and any related and applicable legislation.

ENDORSEMENT AND COMPLIANCE WITH KING III CODE

The King III Code requires the Board to consider the interest of the Group and shareholders, taking into account the concerns and issues of its wider stakeholders which include suppliers, customers, employees and the environment. The Group recognises the importance of balancing long-term social, environmental and economic interest with the principal need to secure sustainable returns and maximise profits. As a result, the Group is governed appropriately and conducts its affairs with prudence, transparency, accountability, fairness and in a socially responsible manner.

Exceptions to King III Code

King III Code has been substantially applied within the Group governance processes since its implementation.

The following key principles have not been fully implemented with explanation as to non-compliance:

- An external assurance provider to provide assurance over material elements of the sustainability section of the integrated annual report has not been appointed.

  The entire integrated report is reviewed by the Audit and Risk Management Committee and recommended to the Board. The Board has not found it necessary to obtain an independent assurance for sustainability reporting as it is comfortable with the accuracy of the sustainability reporting.

- The Group does not have an independent compliance function and the responsibility for compliance rests with the Company Secretary, Chief Financial Officer and the Internal Audit function who consult with our legal advisors where necessary.

  There is no intention to establish an independent compliance function.

- The Group has not adopted a formal dispute resolution process for internal and external disputes.

  The adoption of a formal dispute resolution mechanism is in process.

- The remuneration of each individual director and each prescribed officer is disclosed, names of the prescribed officers who are not directors and who received the highest salaries have not been disclosed.

  The Board does not consider it appropriate to disclose the names of the prescribed officers who are not directors and who received the highest salaries. Legal opinion was obtained confirming the Group's view. The salaries have been disclosed in note 20 to the financial statements.

BOARD OF DIRECTORS

Board composition

The Board consists of three non-executive directors, four independent non-executive directors and two executive directors namely, the Chief Executive Officer and the Chief Financial Officer.

Director	Independent non-executive	Non-executive	Executive
EG Dube *(Chairman)**	✔		
EHT Pan *(Deputy-vice Chairman)*		✔	
KH Pon*	✔		
CY Wu		✔	
HL Li		✔	
DL Tam*	✔		
M Chong*	✔		
DL Pan *(Alternate)*		✔	
CH Pan *(Alternate)*		✔	
MH Lee *(Alternate)*		✔	
JP Bekker			✔
PJM Ferreira			✔

**Previously disadvantage*

Mr CC Wu and Ms MH Lee resigned as alternate non-executive directors on 16 October 2013 and 7 March 2014, respectively. They were replaced by Ms DL Pan and Mr WP Li as alternate directors on 16 October 2013 and 7 March 2014. Ms DL Pan and Mr WP Li are alternate directors to Messrs EHT Pan and CY Wu, respectively. Ms DL Tam resigned as a director on 31 December 2013. Ms N Lalla and Ms L Stephens were appointed as independent non-executive directors in June 2014.

The Board is authorised to appoint new directors between Annual General Meetings with the appointees required to retire and stand for re-election at the subsequent Company's Annual General Meeting.

The Board ensures that all its members are of the highest ethical standard and they take the lead in directing the activities of the Group in a manner consistent with these ethical standards. The Board views its standing as a corporate citizen in the same manner as the Group's financial performance, as such it takes care to ensure it occupies the centre stage in its review and oversight of the operating environment.

The Board consists of experienced business people and are required to exercise leadership, integrity and judgement based on the principle of good governance. The Board is committed to guiding and monitoring these high standards.

Board Charter

The Board operates in terms of a formally adopted Board Charter, which sets out all activities, roles and responsibilities of the Board confirming that directors are accountable to shareholders. The main elements of the charter are:

- the Chairman of the Board must be an independent, non-executive director;
- a formal orientation programme for new directors must be followed;
- specific policies, in line with the King III Code, must exist with regard to conflicts of interest and the maintenance of a register of directors' interests;
- the Board must conduct an annual self-evaluation;
- directors must have access to staff, records and the advice and services of the Company Secretary;
- succession planning for executive management must be in place and must be updated regularly;
- overseeing relationships with Group stakeholders along sound governance principals;
- strategic plans and an approvals framework must be in place and must be reviewed regularly;
- overseeing that the strategy results in sustainable outcomes;
- considering sustainability as a business opportunity that guides strategy formulation;
- ensuring that the Group is playing its role as a responsible corporate citizen by taking into account the impact of the business operations on society and the environment;
- providing oversight of performance against targets and objectives;
- assessing the Group as a going concern;
- approving the annual and interim financial statements;
- providing effective leadership on an ethical foundation;
- overseeing key performance and risk areas;
- policies to ensure the integrity of internal controls and risk management must be in place;
- social transformation, ethics, safety, health, human capital, and environmental management policies and practices must be monitored and reported on regularly;
- overseeing information technology (IT) governance;
- overseeing legislative, regulatory and governance compliance; and
- matters considered crucial for business success.

This review of the charter is done periodically and it is evaluated in line with the changes in legislation and governance guidelines. The charter does not provide for any specific maximum number of Board members, but allows the Board to continuously evaluate itself as to the sufficiency given its duties and responsibilities at any given time.

Meetings

The Board is required to meet at least four times per year. During Board meetings, the directors are requested to table their interest in any material contracts and shareholdings in outside companies at every meeting. Where conflict of interest is a possibility, the affected directors are requested to excuse themselves from discussions in meetings where these conflicts exist.

During Board meetings the directors review operational performance, strategy, planning, empowerment compliance, acquisitions, disposals, review of risks applicable to the business, budgets and other material aspects pertaining to the achievement of the Group's objectives.

Non-executive directors

Non-executive directors do not have fixed terms of appointment, but are required to retire by rotation and are eligible for re-election by shareholders at the Annual General Meeting of the Group.

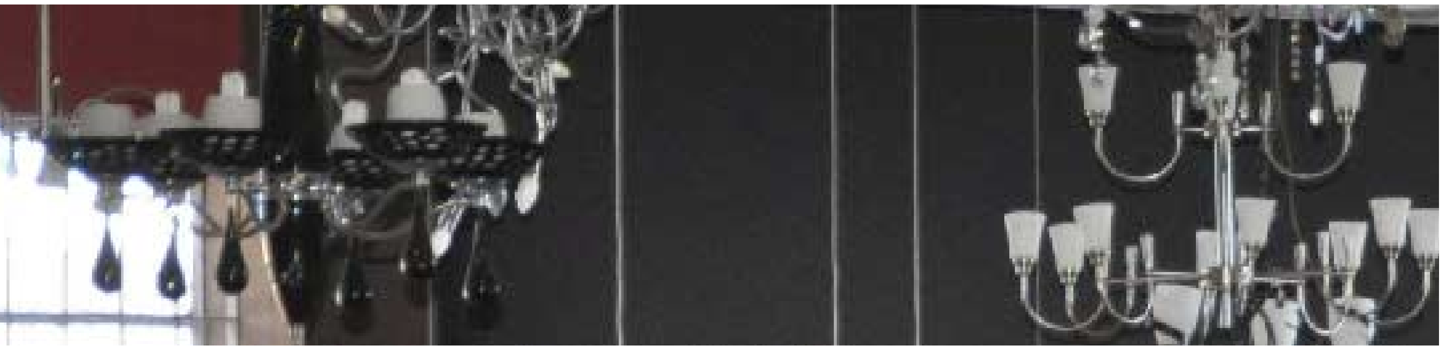
All the directors retire at their first Annual General Meeting of the Company and a third of the directors retire annually. The directors to retire are those that have been longest in office since their last election and are eligible for re-election at that meeting.

Non-executive directors are of suitable calibre and their views carry significant weight in Board decisions. The director's assessments performed during the year have confirmed their suitability to continue in office and their ability to add value to the Group operations.

Executive directors

The Executive directors are permanent employees of the Group with a three months notice period. The Chief Executive Officer and Chief Financial Officer serve as Executive directors on the Board and are responsible for the day to day running of the operations.

CORPORATE GOVERNANCE (CONTINUED)



The Chairman

The Chairman, is an independent non-executive Board member. Separation of responsibilities between those of the Chairman and the Chief Executive Officer is enforced by the Board Charter and it does not allow for these two positions to be filled by the same individual.

The Board elects the Chairman based on his experience and potential contribution to the achievement of its objectives as stated in the charter. The Board succession planning process provides for the Deputy-Vice Chairman to take over from the Chairman should there be any need. The existing independent non-executive directors are also of sufficient calibre and experience to step in should the need arise.

The Chairman presides over meetings of the Board, guiding the integrity and effectiveness of the Board's governance process. This includes ensuring that no individual dominates the discussion, that relevant discussion takes place, that the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that the Board discussions lead to appropriate discussions.

Chief Executive Officer

The Chief Executive Officer, Paul Ferreira, is responsible for the operational management of the Group. His responsibilities include amongst others:

- developing and recommending to the Board a long-term strategy and vision that will generate satisfactory stakeholder value;
- developing and recommending to the Board annual business plans and budgets that support the long-term strategy; and
- managing the affairs of the Group in accordance with its values and objectives, as well as the general policies and specific decisions of the Board.

To effectively execute the activities assigned to him by the Board, the Chief Executive Officer facilitates and chairs the Executive Committee meetings.

The Chief Executive Officer is not a member of the Remuneration and Audit and Risk Management Committees, but attends the committee meetings by invitation.

The Company Secretary

Mr WT Green is the Company Secretary and he provides the entire Board with detailed guidance on matters related to the discharging of their responsibilities. He is suitably qualified and experienced to act in this position.
The company Secretary duties include:

- providing guidance to directors regarding their duties, responsibilities and powers;
- ensuring that Board and Board Committee procedures are followed;

Whitney Green, Company Secretary

- keeping records of Board and Board Committee meeting minutes and resolutions, attendance registers, directors declarations of interest and notices and announcements made by the Company;
- maintaining statutory records and submitting statutory returns;
- advising the Board on corporate governance and regulatory changes;
- ensuring compliance with the JSE Listings Requirements and statutory requirements;
- ensuring that the Board and Board Committee charters and terms of reference are kept up to date; and
- assisting the Board in conducting annual evaluations of the Board, Board committees and individual directors.

The appointment and removal of the Company Secretary is a matter for determination by the entire Board. All directors have access to the advice and the services of the Company Secretary and, in appropriate circumstances, are entitled and authorised, at the Group's expense, to obtain independent professional advice concerning the affairs of the Group.

The certificate required to be signed in terms of section 88(2)(e) of the Act appears on page 50 of this report.

The Company Secretary is not a director of South Ocean Holdings or any of its subsidiaries and, accordingly, maintains an arm's length relationship with the Board and its directors.

The Board has assessed the performance of the Company Secretary and it is satisfied with same.

Director evaluation and development

Induction

On the appointment of a new director, the Board has a process that provides for the induction of new directors. After an evaluation has been made to establish the developmental needs of the relevant director, the Company arranges for the director to be provided with the necessary training at the Company's expense.

Where it is considered that the new director has the necessary experience, obtained from being a member of various other companies' boards, a Company-specific development is provided. A periodic update of legislative changes is an integral part of the quarterly reporting to the Board. Site visits are also arranged to enable new directors to familiarise themselves with all aspects of the Group and its operating businesses.

Director evaluation

The South Ocean Holdings Board has implemented a Board self evaluation system which it uses to evaluate the performance of the individual directors and the Board as a whole. During the year a Board self evaluation was performed by the members of the Board and this confirmed the suitability of all the directors to continue adding value to the Group.

Attendance of meetings

A minimum of four Board meetings are scheduled per financial year. Additional Board meetings may be convened when necessary. During the past year, five Board meetings were held. The table below details the attendance by each director at Board meetings held during the year:

Director	27 Feb	14 May	27 June	31 July	19 Nov
EG Dube *(Chairman)*	✔	✔	✔	✔	✔
EHT Pan *(Deputy-vice Chairman)*	✔	✔	✔	✔	✔
KH Pon	✔	✔	✔	✔	✔
HL Li	✔	✔	✔	✔	✔
CY Wu	✔	✔	✔	✔	✔
M Chong	✔	✔	✔	✔	✔
DL Tam	✔	✔	✔	✔	✔
JP Bekker	✔	✔	✔	✔	✔
PJM Ferreira	✔	✔	✔	✔	✔

✔Present

Board Committees

To enable the Board to discharge its responsibilities and duties, certain of the Board's responsibilities were delegated to the Executive Committee, Audit and Risk Management Committee, Remuneration Committee, Nominations Committee, and the Social and Ethics Committee, the activities of which are dealt with more fully below. The Board is satisfied that all committees have met their respective responsibilities for the year under review.

All these committees operate in terms of established and approved terms of reference which act as a guide for their activities. With the exception of the Executive Committee, chaired by the Chief Executive Officer, all other committees are chaired by an independent non-executive director.

Particulars of the composition of the Board of directors and committees appear on pages 8, 32, 34 to 36 of this report. The charters of the Board committees are reviewed annually to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and keep up to date with all new developments.

The Audit and Risk Management Committee is the statutory committee which complies with the Companies Act requirements and the recommendations set out in the King III Code. The shareholders elect the members of this committee annually at the Annual General Meeting.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

Ethics

The Code of Ethics which has been formally adopted by the Board, is made available to all senior executives and employees within the Group. All Group employees are expected to conduct themselves with integrity in their internal and external dealings and are expected to adhere consistently and uncompromisingly to the highest standards of ethical behaviour.

The Group management works hard to ensure that the principles enshrined in the Code of Ethics are upheld and entrenched as an integral part of the corporate culture. The essential principles of ethical behaviour feature regularly in training sessions and a summary is displayed prominently in work areas to encourage top-of-mind awareness. The intention is that, business actions and dealings should be wholly governed by these ethical principles.

The Group has a whistle-blowing process in operation which all employees are encouraged to utilise. This is operated by an independent company in a confidential and safe manner that ensures that the employees and other parties that report unethical behaviour are not compromised.

The Code of Conduct deals with:

- compliance with laws and regulations;
- conflict of interest;
- employment equity;
- environmental responsibility;
- political support;
- protection and use of Group assets;
- integrity of financial information;

CORPORATE GOVERNANCE (CONTINUED)

- employment matters;
- dealing with outside persons and organisations;
- privacy and confidentiality; and
- obligations of employees.

In terms of accountability, all employees must perform their duties diligently, effectively and efficiently and in particular:

- support and assist the Group to fulfil its commercial and ethical obligations and objectives as set out in this code;
- avoid any waste of resources, including time;
- be committed to improve productivity, achieve the maximum quality standards, reduce ineffectiveness, and avoid unreasonable disruption of work activities;
- commit to honouring their agreed terms and conditions of employment;
- not act in any way that may jeopardise the shareholders' right to a reasonable return on investment;
- act honestly and in good faith at all times and report any harmful activity they observe in the workplace;
- recognise fellow employees' rights to freedom of association and not intimidate fellow employees;
- pay due regard to environmental, public health and safety conditions in and around the workplace; and
- act within their powers and not carry on the business of the Group recklessly.

The Board has no reason to believe that any material contravention of the Code of Ethics took place during the year under review.

AUDIT AND RISK MANAGEMENT COMMITTEE

Composition

Members of the Audit and Risk Management Committee during the year were:

Member	Independent non-executive
KH Pon *(Chairman)*	Yes
M Chong	Yes
DL Tam	Yes

The Audit and Risk Management Committee consists of only independent non-executive directors in compliance with the requirements of the King III Code. The Audit and Risk Management Committee is fully mandated by the Board by means of written terms of reference as to its membership, authority and duties.

With the appointment of KH Pon as the chairman of the Board, Ms M Chong was appointed chairman of this committee effective 1 April 2014.

Henry Pon, Chairman (Audit and Risk Management Committee, Remuneration and Nomination Committee)

Meetings

This Audit and Risk Management Committee meets periodically, at least four times per year. The executive management and the external auditors and internal auditors are also invited to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Management Committee and its chairman, thus ensuring their independence and the impartiality of their reports.

Responsibility

This Audit and Risk Management Committee reviews the integrated annual report, annual financial statements and interim reports, monitors the appropriateness of accounting policies and the effectiveness of the systems of internal control and considers the findings of the external and internal audit. Review of the Group's reporting processes is undertaken to ensure that they are aligned and are not conflicting.

The Audit and Risk Management Committee is also responsible for ensuring that management has processes, strategies and systems in place for the identification, management and control of all Group risks.

The appointment, management and monitoring of the work of both the external and internal auditors are amongst the responsibilities of the Audit and Risk Management Committee.

The Board is confident that the members of the committee are properly qualified and experienced in finance, accounting and risk management and are knowledgeable about the affairs of the Group.

Audit and Risk Management Committee Charter

The Audit and Risk Management Committee Charter sets out the responsibilities of the committee, which include:

- the preparation of financial reporting and statements in compliance with all required legislation, accounting standards and corporate governance;
- the Group's compliance with legal and regulatory requirements;
- overseeing the internal and external auditors' function;
- evaluating the risk profile and risk management of the Group; and
- assisting the Board relating to the safeguarding of assets and operation of effective internal control systems and compliance with the ethical standards adopted.

The Audit and Risk Management Committee also attends to the following responsibilities required by the King III Code and the JSE Listing Requirements:

- evaluating and confirming the independence of the external auditors; and
- reviewing the expertise, resources and the experience of the Group's Chief Financial Officer.

Re-appointment of the independent auditors

The Audit and Risk Management Committee considered the independence of the external auditors, PricewaterhouseCoopers Inc. in accordance with section 90(1) of the Companies Act. The committee considered the following aspects to satisfy itself that PricewaterhouseCoopers Inc. is independent:

- identifying the potential threats to the audit independence of any non-audit work which the external auditors undertake and, if any, what safeguards the external auditors have put in place;
- determining whether the external auditors, engagement partner or staff directly or indirectly hold any shares in South Ocean Holdings; and
- assessing any other factors which could impact or be considered to impact on the external auditors independence.

Having considered all facts, the Audit and Risk Management Committee is satisfied that PricewaterhouseCoopers Inc. is independent and nominated PricewaterhouseCoopers Inc. to be re-appointed as the registered auditor for the 2014 financial year. The Board re-appointed PricewaterhouseCoopers Inc. and Mr JL Roos, the audit partner, as the independent auditors of South Ocean Holdings. The appointment is subject to shareholder's approval at the Annual General Meeting.

PricewaterhouseCoopers Inc. is accredited in terms of the JSE list of accredited auditors as contemplated in paragraph 3.86 of the JSE Listings Requirements.

Re-appointment of the internal auditors

The Audit and Risk Management Committee has recommended the re-appointment of BDO Advisory Services Proprietary Limited as independent internal auditors to fulfil the Group's internal audit function.

The Audit and Risk Management Committee has considered the independence of the internal auditor, BDO Advisory Services Proprietary Limited.

The Audit and Risk Management Committee considered the following aspects to satisfy itself that BDO Advisory Services Proprietary Limited is independent:

- identifying the potential threats to the internal auditors independence of each area of non-internal audit work which the internal auditors undertakes and, if any, what safeguards the internal auditors has put in place;
- determining whether the internal auditors directly or indirectly hold any shares in South Ocean Holdings; and
- assessing any other factors which could impact or be considered to impact on the internal auditors independence.

The role of the internal audit is to review the internal controls, systems and procedures. The Audit and Risk Management Committee is satisfied that the internal controls are adequate in safeguarding the assets, preventing and detecting errors and fraud, ensuring the accuracy and completeness of accounting records and preparing reliable financial statements.

The internal auditor reports to the Audit and Risk Management Committee and has unrestricted access to the Chief Executive Officer, Chief Financial Officer and the Chairman of the Audit and Risk Management Committee.

The internal audit programme is approved by the Audit and Risk Management Committee. The internal auditors report to the Audit and Risk Management Committee on their findings after completion of their audit. Their reporting meeting is also attended by the external auditors.

Risk management

Risk management is the responsibility of the Audit and Risk Management Committee. The development, implementation and maintenance of strategies to minimise Group risk, is geared towards achieving the Group's strategic, operational, reporting and compliance objectives and ensuring value creation for our shareholders.

The Audit and Risk Management Committee is responsible for:

- reviewing, on behalf of the Board, the effectiveness and integrity of systems and controls relating to risk management, and the associated monitoring processes and procedures;
- reviewing the approach through which risk management is conducted and the effectiveness of these processes and systems;
- receiving reports from the Compliance Officer on the adequacy and effectiveness of risk management arrangements;
- ensuring that the disclosure regarding risk is comprehensive, timely and relevant; and
- reviewing reports from management and the internal auditors on the effectiveness and integrity of risk management systems.

GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Risk management is a dynamic process and the Group has accepted the challenge and responsibility to address it comprehensively and have set the following objectives:

- recommending policies, processes, systems and procedures to manage the risk;
- creating a culture of risk awareness and ownership through communication and education;
- clarifying the roles, responsibilities and accountabilities for identification, assessment, and management, monitoring and reporting of all financial and non-financial risks;
- guiding the establishment and maintenance of a robust and measurable approach for risk identification and assessment;
- assisting management to identify, assess, manage, monitor and report effectively on the risks;
- establishing a process that requires all material changes to the business to be subject to adequate risk assessment and due diligence prior to commencement; and
- enabling effective and comprehensive independent and ongoing assessment to be provided by internal audit around the appropriateness and adequacy of risk management.

Integrated reporting

The committee oversees integrated reporting and in particular:

- reviews for reliability and disclosures of sustainability in the integrated annual report;
- recommends to the Board whether or not to engage an external assurance provider on material sustainability issues;
- recommends the integrated annual report for approval by the Board; and
- considers whether the external auditors should perform assurance procedures on interim results or be engaged for any non-audit assignments.

In line with prior years, the committee recommended to the Board not to publish a summarised integrated annual report or to engage an external assurance provider to confirm material elements of the sustainability part of the integrated annual report.

The Board has subsequently approved the integrated annual report.

Attendance of meetings

The committee met five times during the year. Attendance at meetings was as follows:

Director	26 Feb	14 May	30 Jul	2 Oct	19 Nov
KH Pon *(Chairman)*	✔	✔	✔	✔	✔
M Chong	✔	✔	✔	✔	✔
DL Tam	✔	✔	✔	✔	✔

✔*Present*

EXECUTIVE COMMITTEE

Composition of committee

The Executive Committee consists of the Chief Executive Officer, Chief Financial Officer, Managing Director and Divisional Financial Directors of the subsidiary companies. All matters of policy and strategy are referred to the Board.

Meetings

The Executive Committee meets on a monthly basis, except for the month of December, to plan, review, and manage the day-to-day activities of the Group.

Responsibility

The Executive Committee is responsible for:

- implementation of strategies and policies of the Group;
- monitoring the business and affairs of the Group;
- prioritising the allocation of capital, technical and human resources;
- establishing the best management practices and functional standards of the Group;
- senior management appointments and monitoring the performance of senior management;
- ensuring that regular, detailed reports on the Group's activities and performance against strategies and operational plans are received and submitted to the Board; and
- ensuring that regular, detailed reports on the Group's financial performance and forecasts against budgets are received and submitted to the Board.

REMUNERATION COMMITTEE

Composition of committee

Members of the Remuneration Committee during the year were:

Member	Independent non-executive
KH Pon *(Chairman)*	Yes
EG Dube	Yes
HL Li	No

The majority of the Remuneration Committee Members are independent non-executive directors.

The Remuneration Committee, comprising three members, two of which are independent non-executive directors and one non-executive director, is responsible for ensuring that the Group's directors and senior executives are fairly remunerated.

With the appointment of KH Pon as the chairman of the Board, Ms M Chong was appointed chairperson of the committee effective 1 April 2014.

Meetings

The Remuneration Committee meets periodically, at least twice per annum.

Responsibility

The Board has established a Remuneration Committee to advise the Board on all remuneration-related matters. In addition to ensuring fair remuneration of the senior management of the Group, the divisional committee also evaluates and reviews the performance of the senior Group executives.

The committee has, during the year, reviewed all the Group remuneration policies to ensure that these are aligned with the Group strategy and are linked to individual performance.

Remuneration Committee Charter

The Remuneration Committee's responsibilities include the following:

- overseeing the setting and administering of remuneration at all levels in the Group;
- overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- reviewing the outcomes of the implementation of the remuneration policy as to whether the set objectives are being achieved;
- ensuring that the mix of fixed and variable pay, in cash, short- and long-term incentives and other elements, meets the Group's needs and strategic objectives;
- considering the results of the evaluation of the performance of the Chief Executive Officer and other Executive directors, both as directors and as executives in determining remuneration;
- regularly reviewing incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of rules; and
- advising on the remuneration of non-executive directors.

Remuneration to directors and senior management consists of:

- a total-cost-to-company package determined on position, qualification and experience which is divided into:
  - fixed monthly guaranteed remuneration calculated as a percentage of the total-cost-to-company package; and
  - performance bonus equal to the balance of the total-cost-to-company package payable annually after performance assessment is done;
- short-term incentives, aim to motivate management to maximise results on the short term and are paid annually if management meet certain financial targets which relate to Profit Before Tax (PBT);
- long-term incentives, which is a share appreciation scheme and which aims to retain senior management. The main elements are:
  - allocations to key staff to ensure retention;
  - allocations are done annually;
  - payments are due three years after allocation was made, but can be extended for one more year;
  - maximum value of allocation is calculated at between 33% and 83% of guaranteed pay; and
  - paid in cash after the specified period.

Attendance of meetings

The committee met two times during the year. Attendance at meetings was as follows:

Director	26 Feb	19 Nov
KH Pon *(Chairman)*	✔	✔
EG Dube	✔	✔
HL Li	✔	✔

✔*Present*

NOMINATION COMMITTEE

Composition of committee

Members of the Nomination Committee during the year were:

Member	Independent non-executive
KH Pon *(Chairman)*	Yes
EG Dube	Yes

Meetings

The Nomination Committee has no set times for meetings in any financial year. The committee meets if there is a vacancy to be filled on the Board.

Nomination Committee Charter

The Nomination Committee is responsible for finding suitable candidates for any vacancies on the Board. The Nomination Committee will make use of an employment agency to find suitable candidates which will be short listed and interviewed. The Nomination Committee will then recommend the best qualified candidate to the Board for approval.

The Board has established a Nomination Committee to advise the Board to:

- ensure the establishment of a formal process for the appointment of directors, including:
  - identify of suitable persons to be appointed;
  - perform of reference and background checks of candidates prior to nomination; and
  - formalise the appointment of directors through an agreement between the Company and the director;
- oversee the development of a formal induction programme for new directors;
- ensure that inexperienced directors are developed through a mentorship programme;

GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

- oversee the development and implementation of continuing professional development programmes for directors;
- ensure that directors receive regular briefings on changes in risks, laws and the environment in which the companies operate;
- consider the performance of directors and take steps to remove directors who do not make an appropriate contribution; and
- ensure that formal succession plans for the Board, Chief Executive Officer and senior management appointments are developed and implemented.

No meetings were held during the year.

All tasks allocated to this committee were attended to by the Board.

SOCIAL AND ETHICS COMMITTEE

Composition of the Social and Ethics Committee

Members of the Social and Ethics Committee during the year were:

Member	Independent non-executive
M Chong *(Chairperson)*	Yes
PJM Ferreira	No
JP Bekker	No

Meetings

The Social and Ethics Committee will meet at least three times per year.

Attendance of meetings

The committee met three times during the year. Attendance at meetings was as follows:

Director	12 Feb	16 Jul	5 Nov
M Chong *(Chairperson)*	✔	✔	✔
PJM Ferreira	✔	✔	✔
JP Bekker	✔	✔	✔

✔Present

Social and Ethics Committee Charter

The Social and Ethics Committee has the following functions:

- to monitor the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
  - o social and economic development, including the Group's standing in terms of the goals and purposes of:
    - – the 10 principles set out in the United Nations Global Compact Principles;
    - – the OECD recommendations regarding corruption;
    - – the Employment Equity Act; and
    - – the Broad Based Black Economic Empowerment Act.
  - o good corporate citizenship, including the Group's:
    - – promotion of equality, prevention of unfair discrimination, and reduction of corruption;
    - – contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
    - – record of sponsorship, donations and charitable giving.
  - o the environment, health and public safety, including the impact of the Group's activities and its products or services.
  - o consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws.
  - o labour and employment, including:
    - – the Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
    - – the Group's employment relationships and contribution toward the educational development of its employees.
- to draw matters within its mandate to the attention of the Board as occasion requires.
- to report, through one of its members, to the shareholders at the Group's Annual General Meeting on the matters within its mandate.

INFORMATION TECHNOLOGY

The Group has a policy in place regarding the safeguarding and management of the information technology systems and network environments.

The risks associated with the information technology environment are continually being evaluated as to whether they are properly identified, managed and reported. This is to establish whether the information technology systems can be relied upon to produce a functional environment for the management of the enterprise data. Proper security controls, backup procedures and access controls are in place for the management of information technology and its associated data.

Disaster recovery plans have been developed and implemented during the year for any unforeseen circumstances to ensure minimum disruption as any interruption in the information technology system can have a material impact on the business.

DEALING IN COMPANY SECURITIES

No employee or director may deal, directly or indirectly, in South Ocean Holdings' shares on the basis of unpublished price-sensitive information regarding the business or affairs of the Group during

closed periods. These closed periods include the period from the last day of the interim period results, 30 June, and final period results, 31 December, to publication of the relevant interim and year-end results on the Stock Exchange News Services (SENS) and include any other period during which the Company is trading under a cautionary announcement.

All directors are required to obtain written approval from the Chairman or the Chief Executive Officer before dealing in South Ocean Holdings' shares to protect themselves against any possible and unintentional contravention of the insider trading laws and JSE Listings Requirements.

In terms of the JSE Listings Requirements, dealings in the Company's securities by directors of South Ocean Holdings and Subsidiary Companies, their immediate family and associates are to be announced on SENS. The Group strictly adheres to the code relating to insider trading as set out in terms of the JSE Listings Requirements. The Group also ensures that all its policies are aligned to the Security Services Act, which regulates such activities.

Mr EHT Pan, purchased Company's securities as indirect beneficial during the financial year.

RELATIONSHIP WITH STAKEHOLDERS AND INVESTORS

The Group continues to promote dialogue with its shareholders, business analysts, business advisers and all other stakeholders. These include timeous, honest, relevant and accessible announcements and circulars to the shareholders in accordance with the JSE Listing Requirements. All shareholders are encouraged to attend the Annual General Meeting and to ask questions about the Group, its results and prospects.

The Group encourages stakeholders to approach executive directors whenever they wish.

The Group also subscribes to the principle of fair communication and disclosure. There are ongoing interactions between the executive management team and a wide range of institutional investors and analysts and potential investors during the non-closed periods. These interactions include one-on-one meetings and presentations at institutional road shows. It presents results to the investor community in Johannesburg and Cape Town twice a year. The interim and final results are also published in one English newspaper, on the Company's web site and on SENS. There are regular engagements with the media in various methods to ensure fair communication through media liaison.

CORPORATE SOCIAL INVESTMENT

The Group aims to contribute to the economic well being and social development of the communities in which it operates through job creation, donations and educational and cultural contributions. The Social and Ethics Committee addresses these areas.

WHISTLE-BLOWING MEASURES

In accordance with the provisions of the Protected Disclosures Act, No. 26 of 2000, management will ensure that no employee who has made a protected disclosure shall be subject to any occupational detriment and shall be afforded anonymity without fear of consequential victimisation.

PREFERENTIAL PROCUREMENT

In terms of discretionary spend, the Group seeks to secure products and services from black-owned and managed enterprises as far as it is commercially viable.

WORKER PARTICIPATION

The Group employs a variety of participative structures to deal with issues that affect employees directly and materially. These include collective bargaining mechanisms, regular shop steward and trade union meetings, as well as equity skills and development meetings, structures to drive productivity improvements, safety committees and other participative forums. These structures are designed to achieve good employer/employee relations through effective sharing of relevant information, consultation and the identification and resolution of conflict.

GOING CONCERN

The directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue to operate effectively for the foreseeable future. Accordingly, the Board is satisfied that it is appropriate to adopt the going-concern basis in preparing the financial statements.

GOVERNANCE (CONTINUED)

REMUNERATION COMMITTEE REPORT

The Remuneration Committee operates under a mandate and written terms of reference approved by the Board.

The Board assess the composition of the Remuneration Committee annually to ensure that it is appropriate in terms of the necessary skills, knowledge and experience required to operate effectively.

The committee strives to comply with all governance matters and legal requirements.

The Remuneration Committee does not provide relief to Board members for their joint and several responsibilities regarding their fiduciary duties. They must continue to exercise due care and judgement in accordance with their legal obligations.

COMPOSITION

The Remuneration Committee consists of two independent non-executive directors and one non-executive director.

Collectively, members of this committee must have the appropriate mix of qualifications and experience in order to fulfil their duties adequately.

Remuneration Committee members

The Remuneration Committee members during the year were:

Director	Capacity
KH Pon	(Chairman)
EG Dube	(Member)
HL Li	(Member)

MEETINGS

The Remuneration Committee meets at least twice a year, unless additional meetings are required.

The Chief Executive Officer and the Chief Financial Officer attend the meetings by invitation, but do not participate in discussions on their remuneration.

REPORTING

The Remuneration Committee Chairman reports formally to the Board on its proceedings after each meeting and attends the Annual General Meeting to respond to any questions from stakeholders regarding the committee's areas of responsibility.

REMUNERATION COMMITTEE'S ROLES AND RESPONSIBILITIES

The Remuneration Committee does not assume the functions of management, which remain the responsibility of the Executive Directors and senior management.

The Remuneration Committee's main task is to assist the Board in ensuring that the remuneration to directors and executives is fair and market-related.

The Remuneration Committee report provides an overview and understanding of the Group's remuneration philosophy and practices. It deals mostly with the remuneration of the executive directors and senior management.

REMUNERATION POLICY

South Ocean Holdings has an integrated approach to remuneration strategy based on ensuring that an appropriate balance is achieved between the interests of shareholders and the strategic and operational requirements of the Group by providing attractive and market-related remuneration to the executives.

South Ocean Holdings remuneration philosophy:

- plays an integral part in supporting the implementation of business strategies;
- motivates and reinforces individual and team performance; and
- is applied equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.

The Group's application of remuneration practices in all businesses and functions:

- aims to be market competitive in specific labour markets in which people are employed;
- determines the value proposition of the various positions within job families or functions;
- ensures that performance management forms an integral part of remuneration, thereby influencing the remuneration components guaranteed packages and incentives; and
- applies good governance to remuneration practices within approved structures.

The alignment of these remuneration principles aims to meet the strategic objectives of:

- attracting, retaining and motivating key and talented people;
- competing in the marketplace with the intention of being a preferred employer; and
- rewarding individual and business performance and encouraging superior performance.

Remuneration to non-executives and executives is determined as follows:

Non-executive director remuneration

The Group's philosophy in respect of non-executive remuneration is to pay market-related fees, as determined by market surveys, while taking into account the contribution of the individual directors to the Group and the demands placed on them in respect of Board and sub-committee work.

Non-executive directors' remuneration is subject to shareholder approval at the Annual General Meeting.

Executive directors and senior management remuneration

The remuneration philosophy of the Group is to pay executive directors and senior managers and staff a market-related remuneration aimed at encouraging sustainable performance by employees and providing incentives to achieve motivation and retention. In principle, and in terms of the remuneration policy in place in all Group companies, above-average remuneration is only earned by employees who demonstrate a preparedness to accept the challenges of the enterprise and who excel in the achievement of the objectives of the enterprise.

Remuneration package

Senior executives' remuneration mix comprises four components:

- a guaranteed package;
- a performance-linked bonus;
- short-term profit sharing bonus; and
- a long-term incentive scheme.

The guaranteed package

An all-inclusive total cost-to-company package is determined for each employee based on annual market-worth of the required position, assuming that performance targets are met and that the targets are at a higher level than in the previous year. The guaranteed pay is calculated at between 75% and 80% for directors and 92,4% for senior management of total cost-to-company package.

The performance bonus

Each senior executive is required to enter into a performance contract with the manager to which he or she reports. These performance contracts define individual key performance areas that are linked to the strategic objectives of the business unit. The contracts and the performance ratings are reviewed by executive directors and reported to the Remuneration Committee, giving it better insight into how risks are being managed and controlled internally within each business unit, and into succession planning at both the holding company and subsidiary levels. The performance ratings in terms of this performance management system will be the basis for an annual performance bonus. The performance bonus amount is calculated for executive directors at between 20% and 25% and for senior management at 7,6% of total cost-to-company package.

The profit-sharing bonus

Senior executive and senior line managers employed by the Group will share in profit share pools in the event that earnings (profit before taxation), exceed the target earnings as proposed by the Remuneration Committee and approved by the Board for the financial year.

The target earnings as defined will be the inflation adjusted three-year-moving average of earnings for the past three years multiplied by the growth factor equal to expected inflation as defined. For the purposes of the profit-sharing bonus scheme, a nominated percentage of excess earnings for the holding company and for each subsidiary company, ranging between 10% and 20% in 2013, is allocated to profit-share pools and shared by eligible senior executives in the subsidiary company and holding company in proportion to their respective guaranteed remuneration for the year.

The long-term incentive scheme

A long-term incentive plan is in place with effect from 1 January 2009. The objective of this plan is to both align the interest of top management with those of shareholders and to retain the key people in top management who are responsible for leading the enterprise towards the achievement of organisational goals.

The plan is a share appreciation rights scheme in terms of which participants will receive a cash bonus on equity growth. The scheme does not confer any rights on employees to acquire, hold or subscribe for shares at any time, and does not in any way dilute the shareholdings of existing or future shareholders.

The following are the main features of this long-term incentive scheme:

- separate schemes have been established for the holding company and for each subsidiary company;
- share appreciation rights have been defined for the holding company and for each subsidiary company in relation to the issued shares of that company at the commencement of the financial year, each right relating to one issued share of that company;
- in the case of the holding company scheme, eligible participants were allocated rights in relation to a certain value of ordinary shares, based on the volume-weighted quoted share price of the holding company during the month preceding the allocation. They will receive a cash bonus at the end of a defined holding period equal to the difference between the value of those shares at the beginning and end of the holding period;
- in the case of each subsidiary company, eligible participants will be allocated rights as follows:
  - o In relation to a certain value of shares, to the extent of 75%, based on the shares of that subsidiary company;
  - o In terms of a valuation of the shares of that subsidiary company which is in turn based on its financial results in its last three financial years;
  - o As to 25%, based on the shares of the holding company, in terms of the volume-weighted quoted share price during the month preceding the allocation,
  - o A cash bonus at the end of a defined holding period equal to the difference between the value of those shares at the beginning and end of the holding period; and
- The holding period of allocations will be three years, which may be extended to four years at the option of the participant.
- The quantum of the allocations will be in the range between 33,3% and 83,3% of the annual guaranteed pay of each participant in the years following.

REMUNERATION COMMITTEE REPORT

Annual review by the Remuneration Committee

In relation to all Group executive directors, including the executive directors of each subsidiary company, the total cost-to-company package is reviewed annually by the Remuneration Committee based on market information and individual competency assessments.

In addition, the Remuneration Committee is mandated to annually review the remuneration policy which affects all Group senior executives and senior line managers, being the members of an executive committee or management committee.

Executive directors' remuneration from related companies

Executive directors' remuneration paid for 2013 was as follows:

Company	2013 R'000	2012 R'000
South Ocean Holdings Limited	6 769	7 222

Details of the remuneration of individual directors are listed in note 20 in the financial statements section of this report.

Non-executive directors' remuneration

The fees for non-executive directors during 2013 were as follows:

	Fixed fee per annum 2013 R
Chairman of the Board	389 530
Deputy-Vice Chairperson	224 720
Member of the Board	129 843
Chairman of the Audit and Risk Management Committee	194 765
Member of the Audit and Risk Management Committee	42 079
Chairman of the Remuneration Committee	59 888
Member of the Remuneration Committee	42 079
Chairperson of the Social and Ethics Committee	59 888
Chairperson of a Special Committee	R2 650/hour
Member of a Special Committee	R1 590/hour

Interest of directors in share capital of the Company

The details of the individual directors' interest in share capital of the Company are disclosed in the Directors' Report on page 52.

Interest of directors in contracts

The directors have certified that they had no material interest in any transaction of any significance with the Company or any of its subsidiaries.

Share appreciation scheme

Details of the share appreciation scheme are set out in note 14 of the financial statements.

Prescribed officers of the Group who are not executive directors

King III Code recommends that the salaries of the prescribed officers, excluding executive directors, should be disclosed. These officers were identified and their earnings were disclosed including any bonus and share appreciation rights paid out. Remuneration and benefits paid and incentives paid in respect of 2013 and 2012 are set out in note 20 to the financial statements.

Service contracts and severance pay arrangements

The Group has entered into formal contracts with non-executive directors.

Executive directors, top and senior management are subject to South Ocean Holdings' standard terms and conditions of employment where notice periods varies between 30 to 90 days. In line with Group policy, no director is compensated for loss of office and none of the directors have special termination benefits.

South Ocean Holdings' policy when terminating the services of an individual for operational reasons is to pay a minimum of one week of the annual cost of employment for each completed year of service. This policy is applicable to all employees, irrespective of their level within the Group.

Provident fund and group life cover

Employees who are not members of the Numsa union are contributing to the Alexander Forbes Access Retirement Fund. Contributions vary between 13,2% and 15% of basic salary. Numsa union members belong to the Metal Industries Pension Fund or the MEIBC Provident fund and contributions amounts to 13,2% of basic salary.

The Alexander Forbes Access Retirement Fund levels of funding and benefits were assessed by the Provident Fund Committee assisted by our insurance broker, and the committee satisfied itself that the fund was solvent and did not pose a risk to any of the Group's employees.

Employees are further contributing to a funeral policy which covers the funeral costs of the member and close family members in case of death. Employees are also covered by a risk policy which pays out between three and five times of gross salary in case of death. Some employees have disability cover.

Henry Pon
Chairperson
31 March 2014

SOCIAL AND ETHICS COMMITTEE REPORT

Melanie Chang, Chairman Social and Ethics Committee

The Social and Ethics Committee was established in terms of Section 72 of the Companies Act, 2008 and operates under a mandate from the Board and within the terms of reference approved by the Board.

The Social and Ethics Committee is a formal sub-committee of the Board.

As required by the Act, the committee shall monitor the activities of the Group and the relevant subsidiaries, having regard to any legislation, other legal requirements or prevailing codes of best practice, in the areas as prescribed by law.

The Social and Ethics Committee will continue to focus on ensuring sustainable social, ethics, health and safety and transformation initiatives with a specific emphasis on transformation in respect of ownership, procurement, employment equity and skills development improving the leadership skills of employees.

COMPOSITION

The Social and Ethics Committee comprises:

Director	Capacity
M Chong	(Chairperson)
PJM Ferreira	(Chief Executive Officer)
JP Bekker	(Chief Financial Officer)

MEETINGS

The Social and Ethics committee meets at least three times a year, unless additional meetings are required.
During the year under review, the Social and Ethics Committee met three times and the members attended all the meetings.

REPORTING

The Social and Ethics Committee Chairperson reports formally to the Board on its proceedings after each meeting and attends the Annual General Meeting to report and respond to any questions from stakeholders regarding its functions and activities.

RESPONSIBILITIES

The mandate of the Social and Ethics Committee is to assist the Board in, *inter alia,* monitoring the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- social and economic development, relating to the Group's standing in terms of the goals and purposes of:
    - the 10 principles set out in the United Global Compact Principles;
    - the OECD recommendations regarding corruption;
    - the Employment Equity Act; and
    - the Broad-Based Black Economic Empowerment Act.
- Good Corporate Citizenship, in terms of the:
    - promotion of equality, prevention of unfair discrimination, and reduction of corruption;
    - contribution to development of the communities in which the Group's activities are predominantly conducted or within which its products and services are predominantly conducted; and
    - record of sponsorship, donation and charitable donations.
- The environment, health and public safety, and the impact of the Group's activities and of its products or services.
- Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws;
- Labour and employment, including:
    - The Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
    - The Group's employment relationships and its contribution towards the educational development of its employees.
- Drawing matters within its mandate to the attention of the Board as required, and
- Reporting to shareholders at the Group's Annual General Meeting on the matters within its mandate.

Melanie Chong
Chairperson
31 March 2014

GOVERNANCE (CONTINUED)

KING III CODE GAP ANALYSIS

As required by the JSE Listings Requirements, the following table discloses the status of South Ocean Holdings' compliance with King III Code and reasons for non-compliance, if applicable:

King III Code Index

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

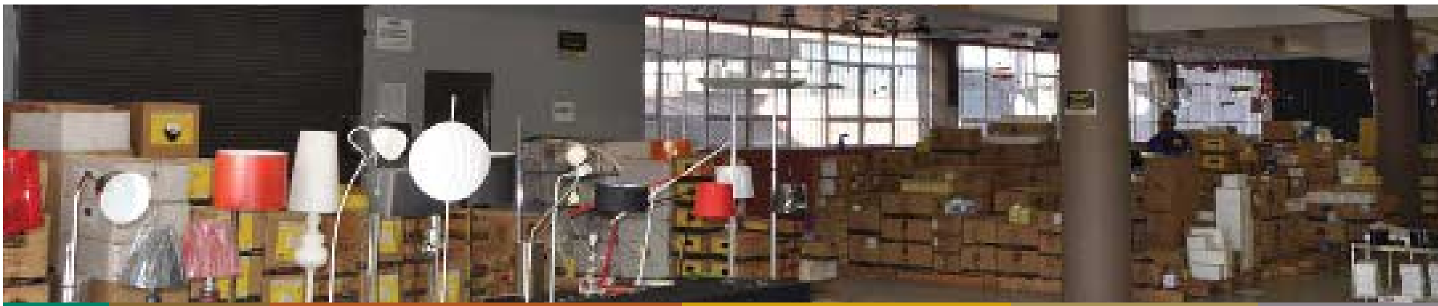
Effective leadership based on an ethical foundation	●
Responsible corporate citizen	●
Effective management of ethics	●
Assurance statement on ethics in the integrated report	●

BOARD OF DIRECTORS

The Board is the focal point for, and custodian of, corporate governance	●
The Board appreciates that strategy, risk, performance and sustainability are inseparable	●
Provide effective leadership based on an ethical foundation	●
Ensure that the Company is and is seen to be a responsible corporate citizen	●
The Company's ethics are managed effectively	●
The Company has an effective and independent Audit and Risk Management Committee	●
Responsible for the governance of risk	●
Responsible for information technology (IT) governance	●
The company complies with applicable laws and considers adherence to non-binding rules, codes and standards	◑
Ensure that there is an effective risk-based internal audit	●
Appreciate that stakeholders' perceptions affect the Company's reputation	●
Ensure the integrity of the company's integrated report	●
Report on the effectiveness of the company's system of internal controls	●
Consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Act	●
Directors act in the best interests of the Group	●
The Chairman of the Board is an independent non-executive director	●
A framework for the delegation of authority has been established	●
The Board comprises a balance of power with a majority of non-executive directors. The majority of non-executive directors should be independent	●
Directors are appointed through a formal process	●
Formal induction and ongoing training of directors is conducted	●
The Board is assisted by a competent, suitably qualified and experienced Company Secretary	●
Annual performance evaluations of the Board, its committees and individual members is performed	●
Separate Audit and Risk Management, Remuneration, Nomination and Social and Ethics Committees have been established	●
Board and committees regulated through formal charters	●
An agreed governance framework between the Group and its subsidiary boards is in place	●
Directors and executives are fairly and responsibly remunerated	●
Remuneration of directors and most highly paid employees is disclosed	◑
The Group's remuneration policy is approved by the shareholders	●

AUDIT AND RISK MANAGEMENT COMMITTEE

Effective and independent	●
Suitably skilled and experienced independent non-executive directors	●
Chaired by an independent non-executive director	●
Oversees integrated reporting	●
A combined assurance model is applied to improve efficiency in assurance activities	●
Satisfied itself of the expertise, resources and experience of the Group's finance function	●
Oversees internal audit	●
Integral component of the risk management process	●
Recommends the appointment of the external auditor and oversees the external audit	●
Reports to the Board and shareholders on how it has discharged its duties	●



GOVERNANCE OF RISK

The Board is responsible for the governance of risk	●
The Board determines the levels of risk tolerance	●
The Audit and Risk Management Committee assists the Board in carrying out its risk responsibilities	●
The Board has delegated the process of risk management to management	●
The Board ensures that risk assessments are performed on a continual basis	●
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	●
The Board ensures that management implements appropriate risk responses	●
The Board ensures continual risk monitoring by management	●
The Board receives assurance regarding the effectiveness of the risk management process	●
Sufficient risk disclosure to stakeholders	●

GOVERNANCE OF INFORMATION TECHNOLOGY

The Board is responsible for the governance of information technology (IT)	●
IT is aligned with the performance and sustainability objectives of the Group	●
Management is responsible for the implementation of an IT governance framework	●
The Board monitors and evaluates significant IT investments and expenditure	●
IT is an integral part of the Group's risk management	●
IT assets are managed effectively	●
The Audit and Risk Management Committee assists the Board in carrying out its IT responsibilities	●

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Board ensures that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards	●
The Board and each individual director and senior manager has a working understanding of the effects of laws, rules, codes and standards applicable to the Group and its business	●
Compliance risk forms an integral part of the Group's risk management process	●
The implementation of an effective compliance framework and process has been delegated to management	◑

INTERNAL AUDIT

The Board ensures that there is an effective risk-based internal audit	●
Internal audit follows a risk-based approach to its plan	●
Internal audit provides a written assessment of the effectiveness of the Group's system of internal controls and risk management	●
The Audit and Risk Management Committee is responsible for overseeing internal audit	●
Internal audit should be strategically positioned to achieve its directives	●
Governing stakeholders' relationships	●
The Board appreciates that stakeholders' perceptions affect the Group's reputation	●
Management proactively deals with stakeholder relationships	●
The Board strives to achieve an appropriate balance	●
Disputes are resolved effectively, efficiently and as expeditiously as possible	●
Integrated reporting and disclosure	●
The Board ensures the integrity of the Group's integrated report	●
Sustainability reporting and disclosure should be integrated with the Group's financial reporting	●
Sustainability reporting and disclosure should be independently assured	❍

Legend

1. *◑ and ❍ – See page 28 for explanation of detail of non-compliance*
2. *● Comply ◑ Partially comply ❍ Did not comply/under review*

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER
2013

The reports and statements set out below comprise the financial statements presented to the shareholders:

LEVEL OF ASSURANCE
These financial statements have been audited in compliance with the applicable requirements of the South African Companies Act.

PREPARER

J P Bekker CA (SA)
Chief Financial Officer

PUBLISHED
7 March 2014

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is pleased to present its report for the year ended 31 December 2013.

The Audit and Risk Management Committee is a statutory committee of the Board and forms an integral component of the Group's governance framework. The Audit and Risk Management Committee has written terms of reference that deal with its membership, authority and duties. In addition to having specific statutory responsibilities to the shareholders in terms of section 94 of the Companies Act, 2008 the Audit and Risk Management Committee assists the Board by examining, reviewing and advising on the reliability and accuracy of the financial information provided by management as well as that provided for dissemination to other users of financial information, the risk management process; internal financial controls, external and internal audit functions, and statutory and regulatory compliance.

The Audit and Risk Management Committee has an independent role with accountability to both the Board and shareholders.

1. COMPOSITION

The members of the Audit and Risk Management Committee, during the year, who are all independent non-executive directors of the Group are: Mr KH Pon – CA (SA) (Chairman), Ms DL Tam – BCom (Hons), and Ms M Chong – CA (SA).

The Committee is satisfied that the members have the required knowledge and experience as set out in section 94(5) of the Companies Act, 71 of 2008 and Regulation 42 of the Companies Regulations, 2011.

All the members have the required financial and commercial skills and experience to contribute to the Committee's deliberations. The Board is satisfied that the Audit and Risk Management Committee members act independently.

2. TERMS OF REFERENCE

The Audit and Risk Management Committee's functions within the scope provided by approved terms of reference which were reviewed and updated during the year. The Audit and Risk Management Committee has acted upon its statutory duties and functions during the year. The Board has assessed and is satisfied with the performance of the Audit and Risk Management Committee and its members and found it to be functioning effectively.

3. MEETINGS

The Audit and Risk Management Committee performs the duties laid upon it by section 94(7) of the Companies Act, 2008 of South Africa by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The Committee held five scheduled meetings during 2013 and all the members of the Committee attended all the meetings.

The Chairman of the Board, the Chief Executive Officer, Chief Financial Officer, Board members who are not Audit and Risk Management Committee members and representatives from the external and internal auditors attend Audit and Risk Management Committee meetings by invitation.

Duties

For the year ended 31 December 2013 the Audit and Risk Management Committee met their objectives and carried out the following duties:

4. EXTERNAL AUDITOR

The Audit and Risk Management Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as the independent auditor and JL Roos as the designated auditor, who is a registered independent auditor, for the year ended 31 December 2014 audit. The appointment of the auditors for the 2014 financial year will be discussed at the next Audit and Risk Management Committee.

The Committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act, 2008 and as per the standards stipulated by the auditing profession. Requisite assurance was sought that internal governance processes within PricewaterhouseCoopers Inc., support and demonstrate the claim to independence.

The Audit and Risk Management Committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

The Audit and Risk Management Committee has considered and pre-approved all non-audit services provided by the external auditors and the fees relative thereto so as to ensure the independence of the external auditors is maintained.

At the end of each meeting during the year, the Audit and Risk Management Committee provided an opportunity to meet with the external auditors where management was not present, during which no matter of concern was raised by the auditors.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE
(CONTINUED)

The Audit and Risk Management Committee, reviewed the external auditor's reports and management responses to matters raised.

The Audit and Risk Management Committee has evaluated and is satisfied with the quality and effectiveness of the external auditors.

The Audit and Risk Management Committee has satisfied itself through representations that the external auditors are independent and approved the following fees for work done by them. The fees charged during the year for audit services amounted to R2 116 000 (2012: R2 041 805) and fees charged for non-audit services amounted to R45 816 (2012: R115 195).

5. ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING CONTROLS

The Audit and Risk Management Committee has reviewed the Annual Financial Statements for the year ended 31 December 2013 and commented on the accounting practices and the effectiveness of the internal controls with regards to:

- the appropriateness and consistent application in the adoption of accounting policies and any changes in accounting policies and practices;
- significant financial estimates based on judgement which are included in the Annual Financial Statements;
- the appropriateness of major adjustments processed at the interim and at year-end;
- the going concern assumption;
- compliance with both local and international accounting standards;
- whether the Annual Financial Statements present a balanced and understandable assessment of the Group's position, performance and prospects; and
- the directors' statement included in the Annual Financial Statements, including the statement on effectiveness of the system of internal control.

Reviewed the valuation of goodwill before recommending the impairment to the Board for approval.

Reviewed the content of the summarised financial information for whether it provides a balanced view.

Following the review of the Annual Financial Statements the Audit and Risk Management Committee recommended to the Board the approval thereof.

The Audit and Risk Management Committee will review the integrated report and make recommendations to the Board for approval.

The Committee will also comment on the state of the internal control's environment in the integrated report once it has been prepared.

6. INTERNAL AUDITORS

The Audit and Risk Management Committee has:

- recommended the appointment of BDO Risk Advisory Services Proprietary Limited as the Group's internal auditors;
- satisfied itself with the competence of the internal auditor and adequacy of the internal audit staffing;
- satisfied itself through enquiry that BDO Risk Advisory Services Proprietary Limited is independent;
- approved the annual risk-based internal audit plan;
- reviewed the internal auditors' assessment of internal controls and confirmed that nothing has come to their attention to indicate any material failure of internal control systems;
- reviewed the internal audit reports and management's response to matters raised; and
- reviewed and is satisfied with the quality and effectiveness of internal audit.

The Audit and Risk Management Committee was satisfied regarding:

- the competence of the internal audit firm;
- the audit plan proposed; and
- co-ordination between internal and external auditors.

7. INTERNAL CONTROLS AND RISK MANAGEMENT

Oversight of risk management

In its oversight of risk management, the Audit and Risk Management Committee has received assurances that the processes and procedures followed in terms of risk management are adequate to ensure that financial risks are identified and monitored.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE
(CONTINUED)

Satisfied itself that the following areas have been appropriately addressed:

- financial reporting risks;
- financial control risks;
- fraud risks as they relate to financial reporting; and
- information technology risks as they relate to financial reporting.

Reviewed tax and information technology risks and in particular how they are managed.

Performed an analysis of strategic risks to which the Group is exposed and recorded those risks in a Risk Register. The Risk Register is amended when appropriate strategies for mitigating the identified risks are developed and implemented on an ongoing basis.

Internal financial controls

The Audit and Risk Management Committee has:

- reviewed the effectiveness of the Group's system of internal financial controls including receiving positive assurance from management and internal audit;
- reviewed significant issues raised by the external and internal auditors in their reports; and
- reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, the Audit and Risk Management Committee believes that the significant internal financial controls are effective, and where weaknesses in specific controls have been identified, management undertook to implement appropriate corrective actions to mitigate the weaknesses so identified.

8. LEGAL AND REGULATORY COMPLIANCE

The Audit and Risk Management Committee reports that, to the best of its knowledge, South Ocean Holdings Limited and its subsidiaries are in compliance with the legislative provisions and JSE requirements applicable to its operational environment.

9. REVIEW OF FINANCIAL FUNCTION AND CHIEF FINANCIAL OFFICER

The Audit and Risk Management Committee has reviewed the performance, appropriateness and expertise of the Chief Financial Officer, Mr JP Bekker, and confirms his suitability in terms of the JSE Listings Requirements.

10. GOING CONCERN

The Audit and Risk Management Committee has reviewed the management documented assessment and the key assumptions of the going concern status of the Group. The Audit and Risk Management Committee recommended to the Board, giving due cognisance of the Group's current financial position and cash flows, that the Group is a going concern.

On behalf of the Audit and Risk Management Committee

KH Pon CA (SA)
Chairman: Audit and Risk Management Committee

Johannesburg
7 March 2014

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the preparation and maintenance of adequate accounting records, integrity and fair presentation of the Company and Group Annual Financial Statements and related financial information included in this report.

The directors are required, in terms of the South African Companies Act, 2008, to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the South African Companies Act, 2008. The directors consider that, in preparing the Annual Financial Statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors are satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations for the year, and the financial position of the Group and the Company as at the end of the financial year.

For the directors to discharge their responsibilities, management has developed, and continues to maintain, a system of internal financial controls, which is well documented and regularly reviewed.

The directors, supported by the Audit and Risk Management Committee, are of the opinion, based on the information and explanations given by management, that the Group's internal accounting controls are adequate, so that the financial records may be relied upon for preparing the Annual Financial Statements and maintaining accountability for assets and liabilities. The directors believe that the Group's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the financial year.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Annual Financial Statements have been prepared on the going concern basis, since the directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

The directors have reviewed the Group's cash flow forecast for the year to 31 December 2014 and, in the light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board and committees of the Board. The directors believe that all representations made to the independent auditors during the audit are valid and appropriate.

The external auditors are responsible for independently reviewing and reporting on the Group's Annual Financial Statements. The Annual Financial Statements have been examined by the Group's external auditors and their report is presented on page 51.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 50 to 99, which have been prepared on the going concern basis, were approved by the Board on 7 March 2014 and were signed on its behalf by:

EG Dube
Independent Non-Executive Chairman

PJM Ferreira
Chief Executive Officer

STATEMENT OF COMPANY SECRETARY

In terms of section 88(2)(e) of the South African Companies Act, 2008, I certify that the Group has lodged with the Companies and Intellectual Property Commissioner such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

WT Green
Company Secretary

Johannesburg
7 March 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of South Ocean Holdings Limited

We have audited the consolidated and separate financial statements of South Ocean Holdings Limited, set out on pages 55 to 99, which comprise the statements of financial position as at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of South Ocean Holdings Limited as at 31 December 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2013, we have read the Directors' Report, the Report of the Audit and Risk Management Committee and the Statement of the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: JL Roos
Registered auditors

Pretoria
7 March 2014

DIRECTORS' REPORT

The directors present their report of the Group and Company for the year ended 31 December 2013.

1. NATURE OF BUSINESS AND OPERATIONS

South Ocean Holdings Limited is the holding company of a group of five main operating subsidiary companies: South Ocean Electric Wire Company Proprietary Limited, an electrical wire manufacturing company, Radiant Group Proprietary Limited, an importer and distributor of light fittings, lamps and electrical accessories, Anchor Park Investments 48 Proprietary Limited, a property investment company, Icembu Services Proprietary Limited, a light fittings assembly company and SOH Calibre International Limited, a procurement agency based in Hong Kong.

2. FINANCIAL RESULTS

The financial position, results of operations and cash flows of the Company and the Group are adequately reflected in the attached Annual Financial Statements.

3. SHARE CAPITAL

Authorised share capital

The authorised share capital amounts to R5 000 000, being 500 000 000 ordinary shares of R0,01 each. There were no changes in the authorised share capital during the year under review.

Issued share capital

The issued share capital amounts to R1 563 788, being 156 378 794 ordinary shares of R0,01 each. There were no changes in the issued share capital during the year under review.

4. SPECIAL RESOLUTIONS

At the Annual General Meeting of the Company held on 26 June 2013, shareholders approved the following special resolutions:

Approval of non-executive directors' fees for the financial year ending 31 December 2013 and quarter ending 31 March 2014

Resolved that the non-executive directors' fees, to be paid to the non-executive directors for their services as directors of the Company, for the year ending 31 December 2013 and the quarter ending 31 March 2014 (being a quarter of the fees payable for the year ending 31 December 2013) be approved as follows:

Chairperson	R389 530
Deputy Vice Chairperson	R224 720
Non-executive director	R129 843
Chairperson of the Audit Committee	R194 765
Member of the Audit Committee	R42 079
Chairperson of the Remuneration Committee	R59 888
Member of the Remuneration Committee	R42 079
Chairperson of Social and Ethics Committee	R59 888
Chairperson of a Special Committee	R2 650 per hour
Member of a Special Committee	R1 590 per hour

and that the increase in fees payable to the directors, for the quarter ended 31 March 2013, amounting to R24 712,10, be and is hereby ratified and approved. Shareholders approved the payment of a quarter of the 2013 fees at the previous Annual General Meeting of the Company.

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the non-executive directors of the Company for the year ending 31 December 2013 and for the quarter ending 31 March 2014 in accordance with section 66(9) of the Companies Act, 2008 and to confirm and ratify the increase in the fees payable to the directors for the quarter ending 31 March 2013. The passing of this special resolution will have the effect of approving the remuneration of each of the non-executive directors of the Company for the year ending 31 December 2013 and quarter ending 31 March 2014 as well as confirming and ratifying the increase in the fees paid to the directors for the quarter ended 31 March 2013. The fees payable for the quarter ending 31 March 2014 will be based on a quarter of the fees as approved above. Shareholders will be requested to approve any adjustment to the fees payable for the quarter ending 31 March 2014 at the 2014 Annual General Meeting.

Approval of loans or other financial assistance

Resolved that the Board may authorise the Company, in terms of section 45 of the Companies Act, 2008, to provide any direct or indirect financial assistance that the Board may deem fit to any related or inter-related companies as defined in terms of section 2 of the Companies Act, 2008.

DIRECTORS' REPORT (CONTINUED)

The reason and effect of this special resolution is to approve generally the provision of financial assistance to the Company's related or inter-related companies and as, from time to time, may be required in the normal course of the Company's businesses.

5. BORROWING LIMITATIONS

In terms of the Memorandum of Incorporation of the Company, the directors may exercise their right to acquire funding as they consider appropriate.

On behalf of the Company, the directors have established credit facilities with various financial institutions, for use by the Company and its subsidiary companies.

6. DIRECTORS

The directors of the Company during the year and to the date of this report are as follows:

Name	Nationality	Changes
Independent non-executive		
EG Dube		
KH Pon		
DL Tam		Resigned 31 December 2013
M Chong		
Non-executive		
EHT Pan	Brazilian	
HL Li	Taiwanese	
CY Wu	Taiwanese	
CC Wu (Alternate)		Resigned 16 October 2013
CH Pan (Alternate)	Taiwanese	
DL Pan (Alternate)	Taiwanese	Appointed 16 October 2013
MH Lee (Alternate)		Resigned 7 March 2014
WP Li (Alternate)	Taiwanese	Appointed 7 March 2014
Executive		
PJM Ferreira		
JP Bekker		

7. DIRECTORS' EMOLUMENTS

The directors' emoluments are set out in note 20 of the Annual Financial Statements.

8. DIVIDENDS

The Board did not declare a dividend for the year ended 31 December 2013 (2012: Rnil).

9. DIRECTORS AND OFFICERS INTERESTS IN CONTRACTS

No material contracts in which directors have an interest were entered into during the year.

10. SECRETARY

The secretary of the Company is WT Green whose business and postal addresses are as follows:

Business address	21 West Street Houghton, 2198
Postal address	PO Box 123738 Alrode, 1451

DIRECTORS' REPORT (CONTINUED)

11. DIRECTORS' INTERESTS IN SHARE CAPITAL

The interests of directors in the issued share capital of the Company as at 31 December 2013 were as follows:

Director – number of ordinary shares	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital %
2013				
PJM Ferreira	**1 412 880**	**–**	**1 412 880**	**0,90**
JP Bekker	**491 807**	**–**	**491 807**	**0,31**
EHT Pan	**4 728 238**	**28 279 063**	**33 007 301**	**21,12**
	6 632 925	**28 279 063**	**34 911 988**	**22,33**
2012				
PJM Ferreira	1 412 880	–	1 412 880	0,90
JP Bekker	491 807	–	491 807	0,31
EHT Pan	4 728 238	27 734 563	32 462 801	20,76
	6 632 925	27 734 563	34 367 488	21,97

No shares were traded by any director from 31 December 2013 until the date of this report.

12. SHARE-BASED PAYMENTS

The Group has a long-term incentive plan for identified senior management in each of the operating entities. Details of the scheme and rights allocated are disclosed in note 14.

13. MANAGEMENT BY THIRD AND RELATED PARTIES

Neither the business of the Company nor its subsidiaries, nor any part thereof, has been managed by a third party person or a company in which a director had an interest during the year under review.

14. INTEREST IN SUBSIDIARIES

Details of the Company's investment in subsidiaries are set out in notes 5 and 34 to the Annual Financial Statements.

15. AUDITORS

PricewaterhouseCoopers Inc., will continue in office as auditors of the Company in accordance with section 90(1) of the South African Companies Act, 2008 subject to shareholders' approval at the forthcoming Annual General Meeting.

16. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Annual Financial Statements, which would affect the operations of the Company and the Group or the results of those operations significantly.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Assets					
Non-current assets					
Property, plant and equipment	3	**284 015**	321 122	**73**	134
Intangible assets	4	**10 482**	157 938	**–**	–
Investments in subsidiaries	5	**–**	–	**831 733**	968 463
		294 497	479 060	**831 806**	968 597
Current assets					
Inventories	6	**289 247**	283 166	**–**	–
Trade and other receivables	7	**331 927**	226 698	**5 738**	648
Loans to group companies	8	**–**	–	**6 418**	698
Derivative financial instruments	16	**143**	–	**–**	–
Income tax receivable		**3 166**	4 127	**–**	–
Cash and cash equivalents	9	**28 677**	32 764	**929**	1 148
		653 160	546 755	**13 085**	2 494
Total assets		**947 657**	1 025 815	**844 891**	971 091
Equity and liabilities					
Equity					
Share capital	10	**441 645**	441 645	**1 118 864**	1 118 864
Reserves		**633**	(191)	**–**	–
Retained earnings (accumulated loss)		**101 968**	223 416	**(285 393)**	(153 084)
		544 246	664 870	**833 471**	965 780
Liabilities					
Non-current liabilities					
Interest-bearing borrowings	12	**42 033**	46 059	**–**	–
Deferred taxation	13	**33 629**	33 425	**–**	–
Share-based payments	14	**1 774**	2 301	**1 471**	878
		77 436	81 785	**1 471**	878
Current liabilities					
Trade and other payables	15	**133 762**	94 413	**6 404**	4 111
Interest-bearing borrowings	12	**26 130**	28 834	**–**	–
Loans from group companies	8	**–**	–	**3 545**	–
Income tax payable		**–**	252	**–**	140
Derivative financial instruments	16	**–**	219	**–**	–
Share-based payments	14	**–**	465	**–**	182
Bank overdraft	9	**166 083**	154 977	**–**	–
		325 975	279 160	**9 949**	4 433
Total liabilities		**403 411**	360 945	**11 420**	5 311
Total equity and liabilities		**947 657**	1 025 815	**844 891**	971 091

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP		COMPANY	
	Notes	**2013 R'000**	2012 R'000	**2013 R'000**	2012 R'000
Revenue	17	**1 690 921**	1 406 317	**18 647**	15 252
Cost of sales	19	**(1 475 875)**	(1 179 536)	**–**	–
Gross profit		**215 046**	226 781	**18 647**	15 252
Other operating income	18	**6 446**	8 050	**–**	4
Administration expenses	19	**(66 638)**	(65 235)	**(11 620)**	(12 733)
Distribution expenses	19	**(26 567)**	(23 866)	**–**	–
Operating expenses	19	**(221 026)**	(236 816)	**(139 222)**	(49 984)
Operating loss		**(92 739)**	(91 086)	**(132 195)**	(47 461)
Finance income	22	**533**	512	**66**	32
Finance costs	23	**(18 885)**	(14 788)	**(180)**	(1)
Loss before taxation		**(111 091)**	(105 362)	**(132 309)**	(47 430)
Taxation	24	**(10 357)**	(12 923)	**–**	(252)
Loss for the year		**(121 448)**	(118 285)	**(132 309)**	(47 682)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**824**	161	**–**	–
Other comprehensive income for the year net of taxation	11	**824**	161	**–**	–
Total comprehensive loss for the year		**(120 624)**	(118 124)	**(132 309)**	(47 682)
Total comprehensive loss attributable to:					
Ordinary shareholders		**(120 624)**	(118 124)	**(132 309)**	(47 682)
Earnings per share:					
Per share information					
Basic and diluted loss per share (cents)	25	**(77,7)**	(75,6)	**–**	–

STATEMENTS OF CHANGE IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital R'000	Share premium R'000	Total share capital R'000	Foreign currency translation reserve R'000	Retained earnings (accumulated loss) R'000	Total equity R'000
Group						
Balance at 1 January 2012	1 274	440 371	441 645	(352)	341 701	782 994
Loss for the year	–	–	–	–	(118 285)	(118 285)
Total comprehensive income for the year	–	–	–	161	–	161
Total comprehensive loss for the year	–	–	–	161	(118 285)	(118 124)
Balance at 1 January 2013	**1 274**	**440 371**	**441 645**	**(191)**	**223 416**	**664 870**
Loss for the year	**–**	**–**	**–**	**–**	**(121 448)**	**(121 448)**
Total comprehensive income for the year	**–**	**–**	**–**	**824**	**–**	**824**
Total comprehensive loss for the year	**–**	**–**	**–**	**824**	**(121 448)**	**(120 624)**
Balance at 31 December 2013	**1 274**	**440 371**	**441 645**	**633**	**101 968**	**544 246**
Company						
Balance at 1 January 2012	1 564	1 117 300	1 118 864	–	(105 402)	1 013 462
Loss for the year	–	–	–	–	(47 682)	(47 682)
Total comprehensive loss for the year	–	–	–	–	(47 682)	(47 682)
Balance at 1 January 2013	**1 564**	**1 117 300**	**1 118 864**	**–**	**(153 084)**	**965 780**
Loss for the year	**–**	**–**	**–**	**–**	**(132 309)**	**(132 309)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(132 309)**	**(132 309)**
Balance at 31 December 2013	**1 564**	**1 117 300**	**1 118 864**	**–**	**(285 393)**	**833 471**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP		COMPANY	
	Notes	**2013 R'000**	2012 R'000	**2013 R'000**	2012 R'000
Cash flows from operating activities					
Cash generated from (utilised in) operations	26	**43 821**	(38 953)	**2 212**	(669)
Finance income	22	**533**	512	**66**	32
Finance costs	23	**(18 885)**	(14 788)	**(180)**	(1)
Taxation paid	27	**(9 444)**	(18 042)	**(140)**	(123)
Net cash flows generated from (utilised in) operating activities		**16 025**	(71 271)	**1 958**	(761)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(23 333)**	(32 748)	**(2)**	(42)
Proceeds from sale of property, plant and equipment	3	**767**	1 220	**–**	–
Purchase of intangible assets	4	**(2 746)**	–	**–**	–
Loans to group companies advanced		**–**	–	**(2 175)**	(396)
Net cash flows utilised in investing activities		**(25 312)**	(31 528)	**(2 177)**	(438)
Cash flows from financing activities					
Proceeds from interest-bearing borrowings		**22 049**	5 817	**–**	–
Repayment of interest-bearing borrowings		**(28 779)**	(39 205)	**–**	–
Dividends paid	28	**–**	(4)	**–**	(4)
Net cash flows utilised in financing activities		**(6 730)**	(33 392)	**–**	(4)
Net movement in cash and cash equivalents for the year		**(16 017)**	(136 191)	**(219)**	(1 203)
Cash and cash equivalents at the beginning of the year		**(122 213)**	13 817	**1 148**	2 351
Effect of exchange rate movement on foreign entity balances		**824**	161	**–**	–
Total cash and cash equivalents at end of the year	9	**(137 406)**	(122 213)	**929**	1 148

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2013

1. PRESENTATION OF FINANCIAL STATEMENTS

General information

South Ocean Holdings Limited ('the Company') is a holding company of a number of subsidiaries whose businesses are involved in the manufacture and distribution of electrical wires, importing and distribution of light fittings, lamps and electrical accessories and rental of property.

The Company is a public limited company, which is listed on the Johannesburg Stock Exchange and is incorporated in South Africa.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated Annual Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated Annual Financial Statements of South Ocean Holdings Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRIC Interpretations and the South African Companies Act. The consolidated Annual Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The consolidated Annual Financial Statements are presented in South African Rand (R), which is the Company's functional and the Group's presentation currency.

The preparation of Annual Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Annual Financial Statements are disclosed in note 1.17.

1.1 Consolidation

Basis of consolidation

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the Company and all entities, including special purpose entities, which are controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of the consideration transferred, non-controlling interest recognised and previously held interest is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The results of the subsidiaries are included in the consolidated Annual Financial Statements from the effective date of acquisition to the effective date of disposal.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Company's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Adjustments are made when necessary to the Annual Financial Statements of subsidiaries to bring their accounting policies in line with those of the Company.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Transactions which result in changes in ownership levels, where the Company has control of the subsidiary both before and after the transaction are regarded as equity transaction and are recognised directly in the statement of changes in equity.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in the statement of comprehensive income as part of the gain or loss on disposal of the controlling interest.

Investments in subsidiaries

Investments in subsidiaries are classified as non-current assets, and are stated in the Annual Financial Statements of the Company at cost, less appropriate impairments. Where the value of investments is considered to be below the carrying value and the diminution of value is considered not to be of a temporary nature, the investments are written down to the expected realisable value.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and Group; and the cost of the item can be measured reliably.

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

Item	Average useful life
Land and buildings	50 years
Leasehold property	Period of the lease
Plant and machinery	10 – 20 years
Furniture and equipment	3 – 10 years
Motor vehicles	5 – 7 years
Computer equipment	3 – 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'operating expenses' in the statement of comprehensive income.

Where the estimated residual value of an asset is above the carrying value, no depreciation is raised.

1.3 Leases

Operating leases

Operating leases are those leases where substantially all the risks and rewards associated with ownership of an asset are not transferred from the lessor to the Group as lessee. Costs of leasing property, plant and equipment held under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. The cost of the assets and the outstanding commitments are not recorded in the statement of financial position. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalties is recognised as an expense in the period in which the termination takes place.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.4 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.5 Foreign currency translation

Functional and presentation currency

Items included in the Annual Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/gains – net'.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each reporting date presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of merchandise is determined using the First-in-First-out ("FIFO") method. Cost of manufactured goods is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

The cost of merchandise and demonstration inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for slow moving goods and obsolete inventories.

1.7 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Trade names and customer relationships

Trade names and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The trade names and customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected lives as follows:

Item	**Useful life**
Trade names	20 years
Customer relationships	5 years

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Computer software costs recognised as assets are amortised over their estimated useful lives of three years.

1.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised, in operating expenses in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised as an expense immediately, and are recorded in the statement of comprehensive income, unless the relevant assets is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under the relevant standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed that carrying amount that would have been determined had no impairment loss recognised for the asset or cash-generating unit in prior years.

1.9 Financial instruments

Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'loans to Group companies' in the statement of financial position.

Impairment of financial assets

a) Assets carried at amortised cost

The Company and Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company and Group first assess whether objective evidence of impairment exists.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.9 Financial instruments (continued)

Impairment of financial assets (continued)

a) Assets carried at amortised cost (continued)

The criteria that the Company and Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company and Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) Adverse changes in the payment status of borrowers in the portfolio; and

(ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that clients accounts are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'other operating expenses'. Where a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating income' in the statement of comprehensive income.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group does not apply hedge accounting. Any gains or losses are taken directly to the statement of comprehensive income.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to Group companies are classified as loans and receivables.

Loans from Group companies are classified as financial liabilities measured at amortised cost.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the Group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.10 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Annual Financial Statements in the period in which the dividends are approved by the Company's directors.

1.11 Employee benefits

Defined contribution plans

Group companies operate a number of defined contribution plans. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.11 Employee benefits (continued)

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Sales are recorded based on list prices and returns at the time of sale. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with the market practice.

Other income not included in revenue is recognised as follows:

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Management fees

Management fees are recognised when services are rendered to the respective entities within the Group.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings; and
- weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

1.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

1.15 Tax

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes, assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividends tax

The new dividends tax became effective on 1 April 2012. This tax is levied on the shareholders (provided they are not exempt) rather than on the Company itself. The Company is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service (SARS). As the tax is levied on the shareholders and not the Company, the dividends tax does not form part of the tax expense recognised in profit or loss or in other comprehensive income; instead the liability to shareholders on the declaration of a dividend is reduced and a liability for the amount payable to the SARS is recognised.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.16 Share based payments

Cash-settled share-linked instruments have been granted to certain employees in the Group. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to payment.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.16 Share based payments (continued)

The fair value of the instrument granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employees' remuneration in the statement of comprehensive income.

1.17 Significant judgements and sources of estimation uncertainty

Management made judgements, estimates and assumptions in the preparation of the Annual Financial Statements that affect the disclosures and amounts of assets, liabilities, income, expenses and equity.

Estimates and judgements are continually being evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year are discussed below.

The estimates and judgements that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of inventory

The inventory obsolescence provision is management's estimate, based on historic sales trends and its assessment of quality and volume, and the extent to which the merchandise for resale on hand at reporting date will not be sold.

Impairment of trade receivables

Provision is made for doubtful debts based on management's estimate of the prospect of recovering the debt. Where management has determined that the recovery of the debt is doubtful, the amount is provided for immediately.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 4).

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.18 Related party transactions

All subsidiaries, associated companies, major shareholders and key management personnel of the Group are related parties. A list of all transactions with major subsidiaries, associated companies, major shareholders and key management personnel is included in note 33. All transactions entered into with subsidiaries were on terms no more favourable than those with third parties and have been eliminated in the consolidated Group accounts. Directors' and key management personnel's emoluments as well as transactions with other related parties are set out in note 20. There were no other material contracts with related parties.

1.19 Earnings per share

Earnings per share is based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year. Fully diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on the earnings per share.

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

1.20 Headline earnings per share

Headline earnings per share is based on the same calculation as above, except that attributable profit specifically excludes items as set out in Circular 2/2013: "Headline Earnings" issued by The South African Institute of Chartered Accountants. Fully diluted headline earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline earnings per share.

1.21 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Group will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the profit or loss (separately).

1.22 Contingencies and commitments

Transactions are classified as contingent liabilities where the Group's obligations depend on uncertain events and principally consists of contract specific third party obligations underwritten by banking institutions. Items are classified as commitments where the Group commits itself to future transactions, particularly in the acquisition of property, plant and equipment.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 10 – Consolidated Financial Statements (effective from 1 January 2013)

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated Annual Financial Statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

The effective date of the standard is for years beginning on or after 1 January 2013.

The Group has adopted the standard for the first time in the 2013 Annual Financial Statements.

The impact of the standard is not material.

IAS 27 – Separate Financial Statements (effective from 1 January 2013)

This standard includes the provisions on separate Annual Financial Statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2013 Annual Financial Statements.

The impact of the amendment is not material.

IFRS 12 – Disclosure of Interests in Other Entities (effective from 1 January 2013)

The standard sets out disclosure requirements for investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 1 January 2013.

The Group has adopted the standard for the first time in the 2013 Annual Financial Statements.

The impact of the standard is not material.

IFRS 13 – Fair Value Measurement (effective 1 January 2013)

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

NOTES TO THE FINANCIAL STATEMENTS

The effective date of the standard is for years beginning on or after 1 January 2013.

The Group has adopted the standard for the first time in the 2013 Annual Financial Statements.

The impact of the standard is not material.

IAS 1– Presentation of Financial Statements (effective 1 July 2012)
The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.

The effective date of the amendment is for years beginning on or after 1 July 2012.

IFRS 7 – (Amendment): Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)
Amendment requires additional disclosures for financial assets and liabilities which are offset and for financial instruments subject to master netting arrangements.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2013 Annual Financial Statements.

The impact of the amendment is not material.

IAS 32 – Annual Improvements for 2009 – 2011 cycle (effective 1 January 2013)
Tax effects of distributions made to holders of equity instruments. The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2013 Annual Financial Statements.

The impact of the amendment is not material.

IAS 34 – Annual Improvements for 2009 – 2011 cycle (effective 1 January 2013)
Clarification on reporting of segment assets and segment liabilities in interim financial reports. Such reporting is only required when it is regularly reported to the chief operating decision maker, and when there has been a material change from the previous Annual Financial Statements.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2013 Annual Financial Statements.

The impact of the amendment is not material.

IFRS 10, 11, and 12 – Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance (effective 1 January 2013)
Transitional guidance for the application of IFRS 10, IFRS 11 and IFRS 12. The amendment limits the requirement to provide adjusted comparative information to only the preceding comparative period.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Group has adopted the amendment for the first time in the 2013 Annual Financial Statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods:

IFRS 9 – Financial Instruments (effective 1 January 2015)
This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and de-recognition of financial assets and liabilities. The following are main changes from IAS 39:

2. NEW STANDARDS AND INTERPRETATIONS (continued)

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All available-for-sale financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 1 January 2015.

The Group expects to adopt the standard for the first time in the 2015 Annual Financial Statements.

It is unlikely that the standard will have a material impact on the Group’s or Company’s Annual Financial Statements.

IAS 32 – (Amendment): Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
Clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The Group expects to adopt the amendment for the first time in the 2014 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group’s or Company’s Annual Financial Statements.

IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)
The amendment brings the disclosures for impaired assets whose recoverable amount is fair value less costs to sell in line with the disclosure requirements of IFRS 13 Fair Value Measurements.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The Group expects to adopt the amendment for the first time in the 2014 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group’s or Company’s Annual Financial Statements.

IFRS 2 – (Amendment): Share-based payments (effective 1 July 2014)
The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, ‘Financial instruments: Presentation’. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2015 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group’s or Company’s Annual Financial Statements.

IFRS 8 – (Amendment): Operating Segments (effective 1 July 2014)
The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity’s assets when segment assets are reported.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2015 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's or Company's Annual Financial Statements.

IFRS 13 – (Amendment): Fair Value Measurement (effective 1 July 2014)

When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2015 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group or Company's Annual Financial Statements.

IAS 24 – Related Party Disclosures (effective 1 July 2014)

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2015 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's or Company's Annual Financial Statements.

IFRS 10, IFRS 12, and IAS 27 – Consolidated Financial Statements and Investment Entities (effective from 1 January 2014)

The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The Group expects to adopt the amendment for the first time in the 2014 Annual Financial Statements.

It is unlikely that the amendment will have a material impact on the Group's or Company's Annual Financial Statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods but are not relevant to its operations:

IFRIC 21 – Accounting for Levies (effective from 1 January 2014)

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognised.

The effective date of the interpretation is for years beginning on or after 1 January 2014.

The Group does not envisage the adoption of the interpretation until such time as it becomes applicable to the Group's or Company's operations.

It is unlikely that the interpretation will have a material impact on the Group's or Company's Annual Financial Statements.

IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (effective from 1 January 2014)

The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The Group does not envisage the adoption of the amendment until such time as it becomes applicable to the Group's or Company's operations.

It is unlikely that the amendment will have a material impact on the Group's or Company's Annual Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

2. NEW STANDARDS AND INTERPRETATIONS (continued)

IAS 19 – (Amendment): Defined Benefit Plans (effective 1 July 2014)

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

It is unlikely that the amendment will have a material impact on the Group's or Company's Annual Financial Statements.

IFRS 14 – Regulatory Deferral Accounts (effective 1 January 2016)

The IASB has issued IFRS 14, 'Regulatory deferral accounts' ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The effective date of the standard is for years beginning on or after 1 January 2016.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

It is unlikely that the standard will have a material impact on the Group's or Company's Annual Financial Statements.

IFRS 3 – (Amendment): Business Combinations (effective 1 July 2014)

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

It is unlikely that the amendment will have a material impact on the Group's or Company's Annual Financial Statements.

IAS 16 and IAS 38 – Property, plant and equipment and Intangible Assets (effective 1 July 2014)

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross.

The effective date of the amendment is for years beginning on or after 1 July 2014.

The Group does not envisage the adoption of the standard until such time as it becomes applicable to the Group's operations.

It is unlikely that the amendment will have a material impact on the Group's or Company's Annual Financial Statements.

IFRS 9 – (Amendment): Hedge Accounting

The IASB has published IFRS 9 Hedge Accounting, the third phase of its replacement of IAS 39. The new requirements align hedge accounting more closely with risk management, and so should result in more 'decision-useful' information to users of financial statements. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The new requirements make it easier to apply hedge accounting to economically rational hedging strategies. IFRS 9 also relaxes the rules on the use of some hedging instruments.

The accounting and presentation requirements for hedge accounting in IAS 39 remain largely unchanged in IFRS 9. However, entities will now be required to reclassify the gains and losses accumulated in equity on a cash flow hedge to the carrying amount of a non-financial hedged item when it is initially recognised. Additional disclosures are required under the new standard.

The standard provides an accounting policy choice for an entity to continue to apply hedge accounting (and hedge accounting only) under IAS 39 instead of IFRS 9 until the IASB completes its separate macro hedging project. Amendments to IFRS 9 have removed the previous mandatory effective date of 1 January 2015, but the standard is available for immediate application.

The Group does not envisage the adoption of the amendment until such time as it becomes applicable to the Group operations.

It is unlikely that the amendment will have a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Group	2013 Cost R'000	2013 Accumulated depreciation R'000	2013 Carrying value R'000	2012 Cost R'000	2012 Accumulated depreciation R'000	2012 Carrying value R'000
3. Property, plant and equipment						
Land and buildings	**167 445**	**(7 401)**	**160 044**	209 535	(7 257)	202 278
Leasehold improvements	**–**	**–**	**–**	100	(58)	42
Plant and machinery	**178 504**	**(71 654)**	**106 850**	161 855	(60 112)	101 743
Furniture and equipment	**32 174**	**(20 271)**	**11 903**	27 564	(16 305)	11 259
Motor vehicles	**13 512**	**(8 294)**	**5 218**	14 197	(8 397)	5 800
Total	**391 635**	**(107 620)**	**284 015**	413 251	(92 129)	321 122

Company	2013 Cost R'000	2013 Accumulated depreciation R'000	2013 Carrying value R'000	2012 Cost R'000	2012 Accumulated depreciation R'000	2012 Carrying value R'000
Furniture and equipment	**234**	**(161)**	**73**	232	(98)	134

Reconciliation of property, plant and equipment

Group – 2013	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Foreign exchange movements R'000	Depreciation R'000	Closing balance R'000
Land and buildings	**202 278**	**804**	**(41 305)**	**–**	**–**	**(1 733)**	**160 044**
Leasehold improvements	**42**	**–**	**(11)**	**–**	**5**	**(36)**	**–**
Plant and machinery	**101 743**	**18 643**	**–**	**(1 957)**	**–**	**(11 579)**	**106 850**
Furniture and equipment	**11 259**	**2 751**	**(43)**	**1 957**	**6**	**(4 027)**	**11 903**
Motor vehicles	**5 800**	**1 135**	**(375)**	**–**	**–**	**(1 342)**	**5 218**
	321 122	**23 333**	**(41 734)**	**–**	**11**	**(18 717)**	**284 015**

Reconciliation of property, plant and equipment

Group – 2012	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Foreign exchange movements R'000	Depreciation R'000	Closing balance R'000
Land and buildings	198 641	5 357	–	–	–	(1 720)	202 278
Leasehold improvements	89	–	–	(18)	3	(32)	42
Plant and machinery	91 223	21 601	(1 015)	–	–	(10 066)	101 743
Furniture and equipment	11 028	3 253	(4)	18	–	(3 036)	11 259
Motor vehicles	4 948	2 537	(188)	–	–	(1 497)	5 800
	305 929	32 748	(1 207)	–	3	(16 351)	321 122

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Company – 2013	Opening balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Furniture and equipment	**134**	**2**	**(63)**	**73**

Reconciliation of property, plant and equipment

Company – 2012	Opening balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Furniture and equipment	151	42	(59)	134

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Security				
Carrying value of assets pledged as security for interest-bearing borrowings (note 12):				
Mortgage bonds				
Land and buildings	**160 044**	202 278	**–**	–
Instalment sale agreements				
Plant and machinery	**48 539**	26 366	**–**	–
Motor vehicles	**2 085**	1 967	**–**	–
	210 668	**230 611**	**–**	–

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

4. Intangible assets

Group	2013 Cost R'000	2013 Accumulated amortisation and impairment R'000	2013 Carrying value R'000	2012 Cost R'000	2012 Accumulated amortisation and impairment R'000	2012 Carrying value R'000
Goodwill	**362 108**	**(362 108)**	**–**	362 108	(214 000)	148 108
Trade names	**14 847**	**(6 448)**	**8 399**	14 347	(5 866)	8 481
Customer relationships	**10 074**	**(10 074)**	**–**	10 074	(10 074)	–
Computer software	**12 640**	**(10 557)**	**2 083**	10 394	(9 045)	1 349
Total	**399 669**	**(389 187)**	**10 482**	396 923	(238 985)	157 938

Reconciliation of intangible assets

Group – 2013	Opening balance R'000	Additions R'000	Amortisation R'000	Impairment loss R'000	Closing balance R'000
Goodwill	**148 108**	**–**	**–**	**(148 108)**	**–**
Trade names	**8 481**	**500**	**(582)**	**–**	**8 399**
Computer software	**1 349**	**2 246**	**(1 512)**	**–**	**2 083**
	157 938	**2 746**	**(2 094)**	**(148 108)**	**10 482**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Reconciliation of intangible assets

Group – 2012	Opening balance R'000	Amortisation R'000	Impairment loss R'000	Closing balance R'000
4. Intangible assets (continued)				
Goodwill	323 108	–	(175 000)	148 108
Trade names	9 062	(581)	–	8 481
Customer relationships	1 523	(1 523)	–	–
Computer software	3 529	(2 180)	–	1 349
	337 222	(4 284)	(175 000)	157 938

Other information

Goodwill, trade names and customer relationships are allocated to their respective underlying cash-generating units. For this purpose, the respective company acquired is defined as the underlying cash-generating units. All these assets relate to the acquisition of Radiant Group Proprietary Limited, the lighting and electrical accessories segment.

Goodwill

The full amount of goodwill relates to the lighting and electrical accessories segment. The only movement in the carrying value of goodwill was the impairment loss disclosed in the above reconciliation in the current and prior year. There were no acquisitions or disposals that affected the carrying value of the goodwill during the year.

The impairment test for goodwill identifies the recoverable amount of a cash-generating unit (CGU) determined based on the higher of its value-in-use or fair value less costs to sell. Value-in-use calculations are prepared using cash flow projections based on financial budgets approved by management and cover a five-year period. The estimated growth rates applied are in line with that of the industry in which the Company operates and is materially similar to assumptions of external market sources. The cash-generating units' recoverable amount is most sensitive to the growth rate assumptions applied. Assumptions were based on management's past experience and best estimates regarding forecasts. Management determined budgeted gross margin based on past performance and its expectations of market developments. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The discount rates used are pre-tax and reflect the appropriate risk associated with the industry and respective business.

A summary of the key assumptions used for value-in-use calculations are as follows:

Growth rate – (Weighted average growth rate used to extrapolate cash flows into perpetuity) – 5,0% (2012: 5,0%).

Discount rate – Radiant Group Proprietary Limited (CGU) (Weighted pre-tax discount rate applied to the cash flow projections) – 15,6% (2012:15,4%).

Discount rate – South Ocean Electric Wire Company Proprietary Limited (CGU) (Weighted pre-tax discount rate applied to the cash flow projections) – 15,6% (2012:14,6%).

Impairment of goodwill

The impairment charge arose as a result of the current and future market conditions affecting Radiant Group Proprietary Limited's earnings. The balance of the goodwill amounting to R148,1 million (2012: R175,0 million) was impaired during the year by recognising an expense in operating expenses.

Sensitivity analysis

If the increase in turnover used in the value-in-use calculation for the Radiant Group Proprietary Limited's operations had been 1% higher than estimates at 31 December 2013, the impairment charge against goodwill would have decrease by R59 million (2012: R7 million). If the estimated gross margin used in the value-in-use calculation for the Radiant Group Proprietary Limited's operations had been 1% lower than estimates at 31 December 2012, the Company would have recognised an additional impairment against goodwill of R25 million. If the estimated gross margin used in the value-in-use calculation for the Radiant Group Proprietary Limited's operations had been 1% higher than estimates at 31 December 2013, the impairment charge against goodwill would have decreased by R40 million (2012: R29 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Company	Carrying amount 2013	Carrying amount 2012
5. Investments in subsidiaries		
Subsidiaries at costs	**1 115 723**	1 115 453
Accumulated impairment	**(283 990)**	(146 990)
	831 733	968 463

Subsidiary shares pledged as security

The issued share capital of Radiant Group Proprietary Limited and of Anchor Park Investments 48 Proprietary Limited with a carrying value of R259 838 000 (2012: R396 838 000) and R100 respectively have been pledged to secure borrowings granted to the Group of R12 450 000 (2012: R31 912 000) as disclosed in note 12.

The carrying amount of subsidiaries are shown net of impairment losses. The amounts are considered to be recoverable and are all denominated in South African Rand. The carrying amount of the investment in Radiant Group Proprietary Limited was reduced to its recoverable value through the recognition of an impairment loss against the investment amount of R137,0 million (2012: R48,0 million). This loss has been included in operating expenses in the statement of comprehensive income. The impairment was necessitated by the same conditions that led to the impairment of goodwill as disclosed in note 4. The details of the assumptions used are disclosed in note 4.

Details of interest in subsidiaries are set out in note 34.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
6. Inventories				
Raw materials	**55 556**	53 638	**–**	–
Consumable stores	**12 563**	9 818	**–**	–
Work in progress	**24 204**	21 709	**–**	–
Finished goods	**47 528**	56 055	**–**	–
Merchandise	**133 175**	129 263	**–**	–
Goods in transit	**15 765**	12 201	**–**	–
Demonstration units	**456**	482	**–**	–
	289 247	283 166	**–**	–
Inventories carried at net realisable value	**28 247**	35 986	**–**	–

The cost of inventories recognised as an expense and included in cost of sales is R1 361 321 000 (2012: R1 102 021 000). Included in the inventory is an amount of R9 705 000 (2012: R10 647 000) relating to inventory impairment. An amount of R942 000 has been recognised in the cost of sales as a reversal of the inventory impairment during the year.

The cost of inventories pledged as security is disclosed in note 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
7. Trade and other receivables				
Net trade receivables	**288 504**	210 406	**–**	–
Trade receivables owing by subsidiaries	**–**	–	**999**	634
Other receivables	**35 568**	257	**1**	–
Dividends receivable	**–**	–	**4 694**	–
Government grants	**–**	3 632	**–**	–
Deposits	**552**	441	**–**	–
Receiver of Revenue – VAT receivable	**44**	5 395	**44**	9
Prepayments	**7 259**	6 567	**–**	5
	331 927	226 698	**5 738**	648
Trade and other receivables past due but not impaired				
Trade receivables of R91 362 000 (2012: R93 562 000) were past due but not impaired. These related to customers for whom there is no recent history of default. The age analysis of these trade receivable is as follows:				
2 months	**49 046**	58 956	**–**	–
3 months	**41 146**	29 960	**–**	–
Over 3 months	**1 170**	4 646	**–**	–
	91 362	93 562	**–**	–
Trade and other receivables impaired				
As at 31 December 2013, trade receivables of R4 174 000 (2012: R13 330 000) were impaired. The amount of the provision in respect of these debtors was R1 853 000 (2012: R1 841 000). It was assessed that a portion of these trade receivables were considered to be recoverable. The aging of these receivables is as follows:				
2 months	**1 042**	4 705	**–**	–
3 months	**1 457**	7 476	**–**	–
Over 3 months	**1 675**	1 149	**–**	–
	4 174	13 330	**–**	–
Reconciliation of provision for impairment of trade and other receivables				
Balance at beginning of year	**1 841**	2 568	**–**	–
Provision for receivables impairment	**73**	342	**–**	–
Utilised during the year	**(61)**	(810)	**–**	–
Unutilised amounts reversed	**–**	(51)	**–**	–
Bad debts recovered	**–**	(208)	**–**	–
Balance at the end of year	**1 853**	1 841	**–**	–

The creation and release of the provision for impaired receivables has been included in operating expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Individually impaired receivables mainly relate to customers who are in difficult economic situations.

Trade receivables that are less than one month overdue are not considered to be impaired.

As at 31 December 2013, trade receivables of R192 968 000 (2012: R103 514 000) were fully performing.

The carrying amounts of trade and other receivables are all denominated in South African Rand. The fair value of trade and other receivables is disclosed in note 31. The fair values are within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
7. Trade and other receivables (continued)				
Trade receivables are insured with Credit Guarantee Insurance Corporation of South Africa Limited and the Group utilises them to perform the necessary credit checks. South Ocean Electric Wire Company Proprietary Limited is exposed to a maximum credit risk of R400 000 for all trade receivables that are within their approved credit limits and 100% of the fair value of trade receivables that are in excess of their credit limits. Radiant Group Proprietary Limited is exposed to 25% of the fair value of trade accounts receivables within the credit limits and 100% of all the trade receivables that are in excess of their credit limits. The maximum credit exposure is R48 791 000 (2012: R14 797 000). The Group does not hold any collateral as security. In certain instances, the Group grants credit to certain debtors in excess of their limits. This is after analysing the credit history, the quantum of the order in relation to the credit limit, together with the amount the debtor is exposed to in relation to Credit Guarantee Insurance Corporation of South Africa Limited cover.				
Trade receivables have been ceded as security for banking facilities as stated in note 9.				
The other receivables held by the Group includes an amount of R34 850 000 in respect of the sale of the property in Cape Town.				
8. Loans to (from) group companies				
Subsidiaries				
Anchor Park Investments 48 Proprietary Limited	**–**	–	**6 121**	387
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**(3 545)**	–
Radiant Matla Renewable Energy Corporation Proprietary Limited	**–**	–	**297**	311
	–	–	**2 873**	698
Current assets	**–**	–	**6 418**	698
Current liabilities	**–**	–	**(3 545)**	–
	–	–	**2 873**	698

The loans to Anchor Park Investments 48 Proprietary Limited and from South Ocean Electric Wire Company Limited are unsecured, bear interest at 7% (2012: 7%) per annum and are repayable on demand. The loan to Radiant Matla Renewable Energy Corporation Proprietary Limited is unsecured, interest-free and is repayable on demand. The amounts are considered to be recoverable and are all denominated in South African Rand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
9. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	**28 607**	32 714	**929**	1 148
Cash on hand	**70**	50	**–**	–
Bank overdraft	**(166 083)**	(154 977)	**–**	–
	(137 406)	(122 213)	**929**	1 148
Current assets	**28 677**	32 764	**929**	1 148
Current liabilities	**(166 083)**	(154 977)	**–**	–
	(137 406)	(122 213)	**929**	1 148
Denominated in South African Rand	**(137 719)**	(124 156)	**929**	1 148
Denominated in United States Dollars	**145**	1 864	**–**	–
Denominated in Hong Kong Dollars	**168**	78	**–**	–
Denominated in Chinese Yuan Renminbi	**–**	1	**–**	–

Banking facilities

The following securities are held with the Group's bankers:

First National Bank Limited, a division of FirstRand Bank Limited

South Ocean Electric Wire Company Proprietary Limited has an overdraft facility with First National Bank of R200 million (2012: R160 million). The facility is secured by a cession of South Ocean Electric Wire Company Proprietary Limited's trade receivables, a cession of trade receivables cover policy with Credit Guarantee Insurance Corporation of Africa Limited as well as noting bank's interest and a deed of negative pledge of assets. It is also secured by a general notarial covering bond limited to R40 million and an unlimited surety in favour of FirstRand Bank Limited signed by Radiant Group Proprietary Limited, South Ocean Electric Wire Company Limited and Anchor Park Investments 48 Proprietary Limited. The facility, when utilised, bears interest at prime less 0,75%. The unused facility at year-end amounted to R96,8 million (2012: R61,9 million) (refer note 31). The facility is renewable annually in May. South Ocean Electric Wire Company Proprietary Limited has an instalment sale facility of R40 million with the same bank of which an amount of R5,6 million (2012: R19,6 million) has not been utilised at year-end.

Radiant Group Proprietary Limited has an overdraft facility with First National Bank of R40 million (2012: R30 million). The facility is secured by a cession of Radiant Group Proprietary Limited trade receivables, to the maximum of R20 million, a cession of trade receivables cover policy with Credit Guarantee Insurance Corporation of Africa Limited, with a reversionary cession of trade receivables to Futuregrowth Asset Management Proprietary Limited, acting on behalf of various lenders. It is also secured by a general notarial covering bond limited to R40 million over South Ocean Electric Wire Company Proprietary Limited's assets and an unlimited surety in favour of FirstRand Bank Limited signed by Radiant Group Proprietary Limited, South Ocean Electric Wire Company Limited and Anchor Park Investments 48 Proprietary Limited. The facility, when utilised, bears interest at prime less 0,75%. The unused facility at year-end amounted to R2,2 million (2012: R0,2 million) (refer note 31). The facility is renewable annually in May.

Bank of Taiwan, South Africa Branch

South Ocean Electric Wire Company Proprietary Limited has a usance letter of credit facility amounting to US$8 million with a Rand value of R83 680 000 (2012: R68 720 000). This facility is secured by a deposit of up to 30% (2012: 30%) for the first US$4 million facility and 40% (2012: 30%) for the balance of the facility amount. When utilised it attracts interest at prime less 1.6% (2012: 1,75%). The unused facility at 31 December 2013 was R58,7 million (2012: R51,6 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
10. Share capital				
Authorised				
500 000 000 ordinary shares of R0,01 each	**5 000**	5 000	**5 000**	5 000
Issued				
156 378 794 ordinary shares	**1 274**	1 274	**1 564**	1 564
Share premium	**440 371**	440 371	**1 117 300**	1 117 300
	441 645	441 645	**1 118 864**	1 118 864

As a consequence of the reverse acquisition in 2007, the number of shares disclosed as issued are those of South Ocean Holdings Limited at the date of the reverse acquisition, including the shares issued to effect the reverse acquisition. The value of shares on consolidation are those of the operating company, South Ocean Electric Wire Company Proprietary Limited, including the value of any shares issued thereafter.

Group – 2013	**Gross R'000**	**Tax R'000**	**Net R'000**
11. Other comprehensive income			
Components of other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	**824**	**–**	**824**
Components of other comprehensive income			
Group – 2012	R'000	R'000	R'000
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations			
Exchange differences arising during the year	161	–	161

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
12. Interest-bearing borrowings				
Mortgage bonds				
Futuregrowth Asset Management Proprietary Limited	**8 632**	19 524	**–**	–
Investec Asset Management Proprietary Limited	**3 818**	8 636	**–**	–
First National Bank	**19 838**	21 766	**–**	–
	32 288	49 926	**–**	–
Other loans				
Futuregrowth Asset Management Proprietary Limited	**–**	3 002	**–**	–
Investec Asset Management Proprietary Limited	**–**	750	**–**	–
Instalment sale agreements	**35 875**	21 215	**–**	–
	35 875	24 967	**–**	–
	68 163	74 893	**–**	–
Non-current liabilities				
Mortgage bonds	**17 731**	30 745	**–**	–
Other loans	**24 302**	15 314	**–**	–
	42 033	46 059	**–**	–
Current liabilities				
Mortgage bonds	**14 557**	19 181	**–**	–
Other loans	**11 573**	9 653	**–**	–
	26 130	28 834	**–**	–
	68 163	74 893	**–**	–
The maturity of non-current borrowings is as follows:				
Between one and two years	**8 326**	18 976	**–**	–
Between two and five years	**26 130**	16 726	**–**	–
Over five years	**7 577**	10 357	**–**	–
	42 033	46 059	**–**	–

Borrowing powers

The Company's Memorandum of Incorporation does not limit the Company's borrowing powers.

Securities

The interest-bearing borrowings are secured as follows:

Mortgage bonds

Futuregrowth Asset Management Proprietary Limited

The loan is secured by an irrevocable guarantee from Radiant Group Proprietary Limited, a joint first ranking mortgage bond, with Investec Asset Management Proprietary Limited, registered over all fixed properties, except for Erf 685 Alrode extension 2 Township, as disclosed in note 3 and cession of rentals due from Radiant Group Proprietary Limited, South Ocean Holdings Limited and South Ocean Electric Wire Company Proprietary Limited. The loan is also secured by a pledge of the issued share capital of Radiant Group Proprietary Limited and Anchor Park Investments 48 Proprietary Limited.

The loan bears interest at one month JIBAR plus 1,80%. At year-end, the one month JIBAR rate was 5,071% (2012: 5,019%). The loan is payable in monthly capital instalments totalling R994 933 (2012: R994 933) plus interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

12. Interest-bearing borrowings (continued)

Investec Asset Management Proprietary Limited

The loan is secured by an irrevocable guarantee from Radiant Group Proprietary Limited, a joint first ranking mortgage bond, with Futuregrowth Asset Management Proprietary Limited registered over all fixed properties, except for Erf 685 Alrode extension 2 Township, as disclosed in note 3 and cession of rentals due from Radiant Group Proprietary Limited, South Ocean Holdings Limited and South Ocean Electric Wire Company Proprietary Limited. The loan is also secured by a pledge of the issued share capital of Radiant Group Proprietary Limited and Anchor Park Investments 48 Proprietary Limited.

The loan bears interest at one month JIBAR plus 1,80%. At year end, the one month JIBAR rate was 5,071% (2012: 5,019%). The loan is payable in monthly capital instalments totalling R440 000 (2012: R440 000) plus interest.

First National Bank, a division of FirstRand Bank Limited

The loan is secured by first covering mortgage bond over Erf 685 Alrode Extension 2 Township and a limited suretyship of R28 800 000 and a cession of all rights, title and interest in, and to any existing and future income derived from rental of the property, and all rental agreements in respect of the property in favour of First National Bank. The interest is payable at First National Bank's prime lending rate less 1,0% per annum. Prime at year-end is 8,5% (2012: 8,5%). The loan is repayable in monthly instalments of R289 417 (2012: R289 417) inclusive of interest.

Other loans

Futuregrowth Asset Management Proprietary Limited

This loan bore interest at three months JIBAR rate plus 1,80%. The loan was repayable in quarterly capital instalments totalling R3 000 000 (2012: R3 000 000), plus interest. The loan is secured with an irrevocable guarantee from Anchor Park Investments 48 Proprietary Limited, a first ranking mortgage bond registered over all fixed properties, except for Erf 685 Alrode extension 2 Township, as disclosed in note 3 and a cession of rentals due from Radiant Group Proprietary Limited and South Ocean Electric Wire Company Proprietary Limited. This loan has been repaid during the year.

Investec Asset Management Proprietary Limited

This loan bore interest at three months JIBAR rate plus 1,80%.The loan is repayable in quarterly capital instalments totalling R750 000 (2012: R750 000), plus interest. The loan is secured with an irrevocable guarantee from Anchor Park Investments 48 Proprietary Limited, a first ranking mortgage bond registered over all fixed properties, except for Erf 685 Alrode extension 2 Township, as disclosed in note 3 and a cession of rentals due from Radiant Group Proprietary Limited and South Ocean Electric Wire Company Proprietary Limited. This loan has been repaid during the year.

Instalment sale agreements

Secured by vehicles, plant and equipment (note 3), bears interest at prime minus 1,15% (2012: 1,15%), and are repayable in monthly instalments of R1 114 580 (2012: R602 258), inclusive of interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

13. Deferred taxation

The deferred tax assets and the deferred tax liability are calculated on all temporary differences under the liability method using a principal taxation rate of 28% (2012: 28%). Deferred income taxation assets and liabilities are offset when the income taxes relate to the same fiscal authority, and there is a legal right to offset at settlement. The amount disclosed in the statement of financial position are analysed as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Deferred tax liability				
Provisions	**692**	722	**–**	–
Property, plant and equipment	**(39 829)**	(37 243)	**–**	–
Tax losses	**5 508**	3 096	**–**	–
Total deferred tax liability	**(33 629)**	(33 425)	**–**	–
Reconciliation of deferred tax liability				
At beginning of year	**(33 425)**	(33 842)	**–**	–
Current year temporary differences	**(2 616)**	(2 679)	**–**	–
Tax losses	**2 412**	3 096	**–**	–
	(33 629)	(33 425)	**–**	–

Group – 2013	**Tax losses R'000**	**Capital allowances R'000**	**Provisions R'000**	**Total R'000**
Opening balance	**3 096**	**(37 243)**	**722**	**(33 425)**
Charged to the statement of comprehensive income	**2 412**	**(2 586)**	**(30)**	**(204)**
	5 508	**(39 829)**	**692**	**(33 629)**

Group – 2012	Tax losses R'000	Capital allowances R'000	Provisions R'000	Total R'000
Opening balance	–	(34 178)	336	(33 842)
Charged to the statement of comprehensive income	3 096	(3 065)	386	417
	3 096	(37 243)	722	(33 425)

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Taxation losses at the end of the year deductable from future taxable income	**19 817**	11 059	**–**	–
Unprovided deferred tax asset	**248**	681	**147**	525

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

14. Share-based payments

Share Appreciation Rights (SAR) – Long-term incentive plan

The Group has a 100% cash-settled Share Appreciation Rights (SAR) plan in place, which has been in place since 2009. The next SARs are eligible to be exercised in 2014. The grant value to employees of South Ocean Electric Wire Company Proprietary Limited (SOEW) and Radiant Group Proprietary Limited (Radiant Group) will be allocated 75% of the value to SAR linked to the shares of the entity and 25% of the value linked to the shares of South Ocean Holdings Limited (SOH). The fair value of the rights was calculated using the Black Scholes Pricing Market Model. The assumptions used in determining the fair value of each SAR granted are summarised as follows:

	2013	2012
Share price (Volume Weighted Average Price)	**R1,36**	R1,51
Strike price: SOH	**R1,51**	R1,43
Strike price: SOEW	**R28,41**	R22,98
Strike price: Radiant Group	**R7,61**	R8,94
Spot price: SOH	**R1,28**	R1,50
Spot price: SOEW	**R24,59**	R28,41
Spot price: Radiant Group	**R5,70**	R7,61
Dividend yield %	**0,0**	0,0
Volatility %	**52,37**	46,23

Expected SAR life: Three years, may be extended at the option of the holder for one more year.

Risk-free rate: Zero coupon perfect fit swap curve from the Bond Exchange of South Africa.

The volatility was determined by applying the equally weighted methodology to the historical share prices of South Ocean Holdings Limited. The spot price of the rights in the subsidiaries is determined using three-year average profit after tax.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of liability				
Opening balance	**2 766**	1 756	**1 060**	402
Charge in statements of comprehensive income	**(569)**	1 772	**574**	658
Encashment of units	**(364)**	(390)	**(155)**	–
Equity units forfeited	**(59)**	(372)	**(8)**	–
Closing balance	**1 774**	2 766	**1 471**	1 060
Current liabilities	**–**	465	**–**	182
Non-current liabilities	**1 774**	2 301	**1 471**	878
	1 774	2 766	**1 471**	1 060
Reconciliation of units				
Opening balance	**10 167**	6 616	**6 578**	3 375
Units granted	**4 935**	4 732	**3 123**	3 203
Equity units forfeited	**(1 807)**	(888)	**(1 029)**	–
Encashment of units	**(657)**	(293)	**(365)**	–
Closing balance	**12 638**	10 167	**8 307**	6 578

Units comprise a combination of South Ocean Holdings Limited, South Ocean Electric Wire Company Proprietary Limited and Radiant Group Proprietary Limited's units.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

14. Share-based payments (continued)

Directors' interest in long-term incentive plans	Number of SAR units '000	Value R'000
2013		
PJM Ferreira	**4 933**	**891**
JP Bekker	**3 374**	**580**
	8 307	**1 471**
2012		
PJM Ferreira	3 407	705
JP Bekker	3 171	355
	6 578	1 060

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
15. Trade and other payables				
Trade payables	**106 428**	64 311	**1 487**	536
Accruals	**10 745**	10 434	**767**	555
Amounts owing to group companies	**–**	–	**2 127**	–
Other payables	**4 276**	8 233	**–**	328
Payroll accruals	**9 070**	11 272	**2 023**	2 692
Receiver of Revenue – VAT payable	**3 243**	163	**–**	–
	133 762	94 413	**6 404**	4 111
The trade and other payables will be settled in the following currencies:				
South African Rand	**117 619**	79 727	**6 135**	4 111
United States Dollar	**15 994**	14 631	**–**	–
Hong Kong Dollar	**149**	55	**–**	–
	133 762	94 413	**6 135**	4 111
Trade and other payables are unsecured, and are repayable within a period of twelve months. The carrying amount and fair value of the current borrowings are included in note 31.				
16. Derivative financial instrument				
Forward exchange contracts	**(143)**	219	**–**	–

The notional principal amount of the outstanding forward exchange contracts at 31 December 2013 was R4 428 000 (2012: R6 851 000). Trading derivatives are classified as a current asset or current liability. The fair value of the derivatives is determined with reference to observable market data and rely as little as possible on entity specific estimates. The fair values are within level 2 of the fair value hierarchy. The amount charged to the statement of comprehensive income for the year amounted to R362 000 credit (2012: R189 000, debit). The maximum exposure to credit risk at the reporting date is the fair value of the derivative in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
17. Revenue				
Sale of goods	**1 690 921**	1 406 317	**–**	–
Dividends received	**–**	–	**4 694**	–
Management fees	**–**	–	**13 953**	15 252
	1 690 921	1 406 317	**18 647**	15 252
18. Other operating income				
Bad debts recovered	**–**	208	**–**	–
Profit on exchange differences	**935**	3 483	**–**	4
Profit on disposal of property, plant and equipment	**369**	45	**–**	–
Other income	**5 142**	610	**–**	–
Government grant received	**–**	3 704	**–**	–
	6 446	8 050	**–**	4
19. Expenses by nature				
Advertising and promotions	**5 719**	6 199	**28**	181
Amortisation of intangible assets	**2 094**	4 284	**–**	–
Auditors' remuneration				
– Audit fees	**2 145**	2 042	**937**	660
– Expenses	**26**	–	**21**	17
– (Over) under provision prior year	**(29)**	–	**(25)**	75
– Other services	**46**	115	**–**	35
Bad debt provision movement	**73**	(727)	**–**	–
Bad debts written off	**563**	720	**–**	–
Changes in finished goods inventories and work-in-progress	**(2 240)**	(63 468)	**–**	–
Loss on disposal of property, plant and equipment	**6 486**	32	**–**	–
Depreciation	**18 717**	16 351	**63**	59
Electricity and water	**18 002**	12 365	**–**	–
Employee benefit expense (note 21)	**138 715**	130 550	**9 852**	10 496
Enterprise development	**2 106**	1 060	**–**	–
Fines and penalties	**31**	–	**–**	–
Freight	**15 709**	12 670	**–**	–
Foreign exchange loss	**452**	590	**–**	–
Insurance – trade receivables	**2 208**	1 981	**–**	–
Insurance – other	**2 924**	2 741	**64**	86
Impairment of goodwill	**148 108**	175 000	**–**	–
Impairment of investment	**–**	–	**137 000**	48 000
Legal fees	**1 185**	879	**12**	177
Levies	**487**	483	**297**	309
Motor vehicle expenses	**4 817**	4 975	**–**	–
Other expenses	**10 356**	3 511	**954**	1 163
Operating leases				
– Warehouse premises	**1 027**	380	**420**	300
Professional fees	**2 790**	1 332	**1 099**	1 005
Purchase of merchandise	**251 038**	249 491	**–**	–
Rates and taxes	**2 355**	2 189	**–**	–
Raw materials and consumables used	**1 131 889**	920 481	**–**	–
Social development	**525**	–	**–**	–
Repairs and maintenance	**15 359**	12 456	**–**	3
Software expenses	**2 914**	3 184	**–**	–
Secretarial fees	**126**	186	**120**	151
Security expenses	**3 383**	3 401	**–**	–
Total cost of sales, administration, distribution and other operating expenses	**1 790 106**	1 505 453	**150 842**	62 717

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

20. Directors' and prescribed officers' emoluments

Group – 2013	Salary R'000	Performance bonus R'000	Medical group benefit contributions R'000	Provident fund R'000	Share-based payments R'000	Total R'000
Executive						
PJM Ferreira	**3 394**	**–**	**39**	**235**	**155**	**3 823**
JP Bekker	**2 583**	**–**	**75**	**288**	**–**	**2 946**
	5 977	**–**	**114**	**523**	**155**	**6 769**
Group – 2012						
Executive						
PJM Ferreira	3 373	302	35	235	–	3 945
JP Bekker	2 678	247	73	279	–	3 277
	6 051	549	108	514	–	7 222

Company – 2013	Salary R'000	Performance bonus R'000	Medical group benefit contributions R'000	Provident fund R'000	Share-based payments R'000	Total R'000
Executive						
PJM Ferreira	**3 394**	**–**	**39**	**235**	**155**	**3 823**
JP Bekker	**2 583**	**–**	**75**	**288**	**–**	**2 946**
	5 977	**–**	**114**	**523**	**155**	**6 769**
Company – 2012						
Executive						
PJM Ferreira	3 373	302	35	235	–	3 945
JP Bekker	2 678	247	73	279	–	3 277
	6 051	549	108	514	–	7 222

Company and Group	2013 Directors' fees R'000	2012 Directors' fees R'000
Non-executive		
EG Dube	**432**	407
EHT Pan	**225**	232
KH Pon	**384**	363
M Chong	**232**	219
DL Tam	**172**	162
HL Li	**172**	162
CY Wu	**129**	142
	1 746	1 687

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000
20. Directors' and prescribed officers' emoluments (continued)				
Total directors' and prescribed officers' remuneration				
Executive directors	**6 769**	7 222	**6 769**	7 222
Non-executive directors	**1 746**	1 687	**1 746**	1 687
Prescribed officers	**4 608**	4 311	**–**	–
	13 123	13 220	**8 515**	8 909

	Emoluments R'000	Pension fund R'000	Total R'000
Group			
Prescribed officers			
2013			
Prescribed officer 1	**1 481**	**161**	**1 642**
Prescribed officer 2	**1 349**	**180**	**1 529**
Prescribed officer 3	**1 318**	**119**	**1 437**
	4 148	**460**	**4 608**
2012			
Prescribed officer 1	1 532	190	1 722
Prescribed officer 2	1 230	149	1 379
Prescribed officer 3	1 148	62	1 210
	3 910	401	4 311

Directors' interests in share capital

The interest of directors in the issued share capital of the Company at 31 December 2013 were as follows:

	Direct beneficial	Indirect beneficial	Total	Percentage of issued share capital
2013				
PJM Ferreira	**1 412 880**	**–**	**1 412 880**	**0,90%**
JP Bekker	**491 807**	**–**	**491 807**	**0,31%**
EHT Pan	**4 728 238**	**28 279 063**	**33 007 301**	**21,12%**
	6 632 925	**28 279 063**	**34 911 988**	**22,33%**
2012				
PJM Ferreira	1 412 880	–	1 412 880	0,90%
JP Bekker	491 807	–	491 807	0,31%
EHT Pan	4 728 238	27 734 563	32 462 801	20,76%
	6 632 925	27 734 563	34 367 488	21,97%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
21. Employee benefit expense				
Salaries, wages and bonuses	**132 710**	123 384	**9 441**	9 838
Share-based payment	**(628)**	1 400	**411**	658
Pension and provident fund contributions	**6 633**	5 766	**–**	–
	138 715	130 550	**9 852**	10 496
The employees of the Group are the members of the following contribution plans: • Metal Industries Pension Fund • Alexander Forbes Access Retirement Fund • MEIBC Provident Fund • MPF Provident Fund				
Number of employees at 31 December				
Full time	**735**	806	**3**	3
Part time	**7**	7	**7**	7
	742	813	**10**	10
No shares were traded by any director from 31 December 2013 until the date of this report.				
22. Finance income				
Interest received				
Bank	**519**	313	**10**	25
Receiver of Revenue	**14**	199	**–**	–
Subsidiaries	**–**	–	**56**	7
	533	512	**66**	32
23. Finance costs				
Mortgage bonds	**2 934**	4 419	**–**	–
Bank	**13 567**	7 477	**1**	1
Instalment sale agreements	**2 173**	1 743	**–**	–
Other loans	**62**	929	**–**	–
Receiver of Revenue	**2**	34	**2**	–
Group companies	**–**	–	**177**	–
Other interest paid	**147**	186	**–**	–
	18 885	14 788	**180**	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
24. Taxation				
Major components of the tax expense				
Current				
South African normal tax	**9 568**	14 827	**–**	252
Prior year under (over) provision	**555**	(1 576)	**–**	–
Foreign income tax	**30**	89	**–**	–
	10 153	13 340	**–**	252
Deferred				
Originating and reversing temporary differences	**200**	(405)	**–**	–
Prior year under (over) provision	**4**	(12)	**–**	–
	204	(417)	**–**	–
	10 357	12 923	**–**	252
Reconciliation of the tax expense				
Loss before taxation	**(111 091)**	(105 362)	**(132 309)**	(47 430)
Tax at the applicable tax rate of 28% (2012: 28%%)	**(31 105)**	(29 501)	**(37 047)**	(13 280)
Adjusted for:				
Exempt income	**(324)**	(1 220)	**(1 355)**	–
Prior year under (over) provision – current tax	**555**	(1 576)	**–**	–
Prior year under (over) provision – deferred tax	**4**	(12)	**–**	–
Expenses not deductible	**41 526**	49 064	**38 361**	13 439
Foreign subsidiary tax rate difference	**(26)**	(55)	**–**	–
Unprovided deferred tax	**(273)**	(1 409)	**41**	93
Unrecognised tax losses utilised	**–**	(2 242)	**–**	–
Tax allowance	**–**	(126)	**–**	–
South African normal taxation	**10 357**	12 923	**–**	252
25. Earnings per share				
Basic and diluted loss per share (cents)	**(77,7)**	(75,6)	**–**	–
Loss for the year	**(121 448)**	(118 285)	**–**	–
Headline earnings per share				
Headline and diluted headline earnings per share (cents)	**21,0**	36,3	**–**	–
Reconciliation between earnings and headline earnings				
Loss for the year	**(121 448)**	(118 285)	**–**	–
Adjusted for:				
Loss (profit) on disposal of property, plant and equipment – net of taxes	**6 117**	(13)	**–**	–
Impairment of goodwill	**148 108**	175 000	**–**	–
Headline earnings	**32 777**	56 702	**–**	–
Number of shares in issue	**156 379**	156 379	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
26. Cash generated from (utilised in) operations				
Loss before taxation	**(111 091)**	(105 362)	**(132 309)**	(47 430)
Adjustments for:				
Depreciation, amortisation and impairments	**20 811**	20 635	**63**	59
Loss (profit) on disposal of property, plant and equipment	**6 117**	(13)	**–**	–
Finance income	**(533)**	(512)	**(66)**	(32)
Finance costs	**18 885**	14 788	**180**	1
Impairment loss	**148 108**	175 000	**137 000**	48 000
Derivative financial instruments	**(362)**	189	**–**	–
Foreign exchange movement on property, plant and equipment	**(11)**	(3)	**–**	–
Share-based payments (reversed) expensed	**(628)**	1 400	**566**	658
Changes in working capital:				
Inventories	**(6 081)**	(38 200)	**–**	–
Trade and other receivables	**(70 379)**	(61 402)	**(5 090)**	82
Trade and other payables	**39 349**	(45 083)	**2 023**	(2 007)
Share-based payments (reversed) expensed	**(364)**	(390)	**(155)**	–
	43 821	(38 953)	**2 212**	(669)
27. Taxation paid				
Net amounts owing at the beginning of the year	**3 875**	(827)	**(140)**	(11)
Charged to the statement of comprehensive income	**(10 153)**	(13 340)	**–**	(252)
Balance at end of the year	**(3 166)**	(3 875)	**–**	140
	(9 444)	(18 042)	**(140)**	(123)
28. Dividends paid				
Balance at beginning of the year	**–**	(4)	**–**	(4)
Dividends	**–**	–	**–**	–
Balance at end of the year	**–**	–	**–**	–
	–	(4)	**–**	(4)
29. Proceeds on disposal of property, plant and equipment				
Net book amount of assets disposed of	**41 734**	1 207	**–**	–
(Loss) profit on disposal of property, plant and equipment	**(6 117)**	13	**–**	–
Amount unpaid at year end	**(34 850)**	–	**–**	–
	767	1 220	**–**	–
30. Movement in investments				
Fair value of assets acquired				
Amounts receivable from group companies	**–**	–	**270 000**	–
Consideration paid				
Loan account	**–**	–	**(270 000)**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

31. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by management.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The executive directors are involved in the daily operations of the Group, and the necessary decisions regarding capital risk management are made as and when necessary.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8 and 12, cash and cash equivalents disclosed in note 9, and equity as disclosed in the statements of financial position.

The Group maintains overdraft facilities with reputable financial institutions for short-term financing needs. Where operational needs require prolonged use of overdraft facilities, the Group seeks opportunities to use long-term financing. To this extent management is in the process of increasing the Group's long-term borrowings by applying to the relevant financial institutions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total debt plus net overdraft divided by total equity. The Group's strategy is to maintain the ratio below 50%. At 31 December 2013, the gearing ratio was 43,0% (2012: 34,6%). The gearing ratio declined primarily as a result of an increased overdraft at year end, the impairment of goodwill effect as well as additional interest bearing borrowings that were taken during the year.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. The table below shows the credit limit and balances of the major counter parties at the reporting date:

Group	2013 Credit limit R'000	2013 Balance R'000	2012 Credit limit R'000	2012 Balance R'000
Counter party				
First National Bank – Overdraft	**(240 000)**	**(141 054)**	(200 000)	(137 848)
Bank of Taiwan South African Branch – Letter of credit facility	**(83 680)**	**(25 029)**	(68 720)	(17 129)
	(323 680)	**(166 083)**	(268 720)	(154 977)

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Group has an instalment sale facility of R40 million with First National Bank, a division of FirstRand Bank Limited, of which an amount of R5,6 million (2012: R19,6 million) has not been utilised at year-end.

Group

At 31 December 2013

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
Interest-bearing borrowings	**30 058**	**16 718**	**23 430**	**8 104**
Trade and other payables	**121 449**	**–**	**–**	**–**
Derivative financial instruments	**4 428**	**–**	**–**	**–**
Bank overdraft	**166 083**	**–**	**–**	**–**
At 31 December 2012				
Interest-bearing borrowings	33 117	21 901	19 845	11 577
Trade and other payables	82 978	–	–	–
Derivative financial instruments	6 852	–	–	–
Bank overdraft	154 977	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

31. Financial risk management (continued)

Credit risk

Potential concentrations of credit risk consist primarily of cash investments and trade receivables. Trade receivables consist of a large number of customers spread across diverse industries and geographical areas. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and in most instances, utilises credit insurance. The ongoing creditworthiness of the trade receivables is assessed taking into account the specific debtors balances against their credit limit. Details of credit risk for trade receivables is disclosed in note 7.

The Group manages outstanding trade receivables using a combination of Credit Guarantee and outside collections agents. The Credit Guarantee terms require that before the outstanding accounts are handed over to them for management, an effort must have been made by management to collect the outstanding amounts. The amount not recoverable from Credit Guarantee is limited to an aggregate of the first R400 000 in respect of South Ocean Electric Wire Company Proprietary Limited and 25% of the fair value of trade receivables within the credit terms and 100% of the trade receivables that are in excess of their credit limits in respect of Radiant Group Proprietary Limited. The amounts recoverable from Credit Guarantee are only recoverable 60 to 90 days after they have been handed over to Credit Guarantee for management.

The overdraft is renewable annually in May. All the indications from the respective banks are that the facility will be renewed.

Foreign exchange risk

The Group operates and trades internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollars. The Group buys its major machinery and the majority of the light fittings and accessories in United States Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities when they are denominated in a currency that is not the entity's functional currency. Entities within the Group use forward exchange contracts to manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. In general, the Group's policy is to enter into forward foreign exchange contracts as and when required by the businesses and these are limited to orders placed with suppliers.

At 31 December 2013, if the currency had weakened/strengthened against the United States Dollars by 4% with all other variables held constant, profit after tax would have decreased/increased by R460 631 (2012: R421 372), mainly as a result of foreign exchange gains/losses on translation of trade payables. A sensitivity analysis has not been performed on other foreign currency exposures as it is not considered to have a material impact on the profit after tax.

Foreign currency exposure at the end of the reporting period

	2013 Foreign currency R'000	**2013 Rand equivalent R'000**	2012 Foreign currency R'000	2012 Rand equivalent R'000
Assets – bank accounts				
United States Dollar	**14**	**145**	213	1 864
Hong Kong Dollar	**124**	**168**	75	78
Chinese Yuan Renminbi	**–**	**–**	1	1
		313		1 943
Liabilities – trade payables				
United States Dollar	**1 519**	**15 994**	1 671	14 631
Hong Kong Dollar	**110**	**149**	53	55
		16 143		14 686

At year end the Group had entered into the following forward exchange contracts:

	Settlement dates	**Foreign currency US$'000**	**Rand equivalent R'000**
2013	4 January 2014	**421**	**4 428**
2012	4 January 2013	782	6 852

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

31. Financial risk management (continued)

Price risk

The Group is exposed to commodity price risk with regards to the price of copper. Copper price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of copper. The copper market is predominantly priced in United States Dollars which exposes the Group to the risk that fluctuations in the South African Rand/United States Dollar exchange rates may also have on current or future earnings. The Company does not hedge any copper purchases; however management keep inventory levels as low as possible and buys only enough copper for the next months production. Any change in the price of the copper price has an impact on both sales values and purchase values. The Group is not exposed to equity securities price risk, as the Group did not hold any equity securities at 31 December 2013.

Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term and current borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest rates are monitored when there are indications that rates may change and any additional or available cash resources are redirected towards reducing the interest bearing debts. Details of interest rates on borrowings are disclosed in notes 9 and 12.

All Group borrowings are denominated in South African Rand. The Group may be exposed to interest rate risk as it borrows funds at floating interest rates. Interest rate exposure is not analysed on a specific basis but should the interest rates increase/decrease by 2% the Group profit after tax will decrease/increase by R981 547 (2012: R1 078 459) and the Company profit after tax will decrease/increase by R24 765 (2012: nil).

Fair value estimation

The carrying value less impairment provision of trade receivables and payables and interest free loans receivable are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2013	Group carrying value R'000	Group fair value R'000	Company carrying value R'000	Company fair value R'000
Trade and other receivables	**324 624**	**324 624**	**5 694**	**5 694**
Amount owing by subsidiaries	**–**	**–**	**6 418**	**6 418**
Cash and cash equivalents	**28 677**	**28 677**	**929**	**929**
Trade and other payables	**(121 449)**	**(121 449)**	**(4 381)**	**(4 381)**
Interest-bearing borrowings	**(68 163)**	**(68 163)**	**–**	**–**
Derivative financial instruments	**(4 428)**	**(4 428)**	**–**	**–**
Bank overdraft	**(166 083)**	**(166 083)**	**–**	**–**
2012				
Trade and other receivables	214 736	214 736	639	639
Amounts owing by subsidiaries	–	–	698	698
Cash and cash equivalents	32 764	32 764	1 148	1 148
Interest-bearing borrowings	(74 893)	(74 893)	–	–
Trade and other payables	(82 978)	(82 978)	(1 419)	(1 419)
Amounts owing to subsidiaries	–	–	(3 545)	(3 545)
Bank overdraft	(154 977)	(154 977)	–	–
Derivative financial instruments	(6 852)	(6 852)	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
32. Commitments				
Capital commitments				
• Approved and committed	**16 108**	12 440	**–**	–
This committed expenditure will be financed from existing credit facilities from Wesbank, a division of FirstRand Bank Limited.				
33. Related parties				
Transactions between group companies				
In the ordinary course of business, the companies in the Group entered into transactions with each other. These intergroup transactions are eliminated on consolidation. The following transactions were entered into between the Company and its subsidiaries during the year:				
Related party transactions				
Interest received from related parties				
Anchor Park Investments 48 Proprietary Limited	**–**	–	**56**	7
Management fees received from related parties				
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**9 886**	8 175
Radiant Group Proprietary Limited	**–**	–	**4 067**	7 077
	–	–	**13 953**	15 252
Dividends received				
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**3 127**	–
Radiant Group Proprietary Limited	**–**	–	**1 567**	–
	–	–	**4 694**	–
Rental paid to related parties				
Anchor Park Investments 48 Proprietary Limited	**–**	–	**(420)**	(300)
Costs recovered by related parties				
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**(152)**	–

Details of amounts owing (to)/by subsidiaries are disclosed in notes 7, 8 and 15. No impairment was considered to be necessary in respect of related party balances as they are considered to be fully recoverable.

Transactions with directors

Details relating to the directors' remuneration and interests are disclosed in notes 20 and 21 of the financial statements and in the directors' report.

The directors have certified that they are not materially invested in any transactions of any significance with the Company or its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
33. Related parties (continued)				
Related party balances				
Loan accounts – Owing (to) by related parties				
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**(3 545)**	–
Radiant Matla Renewable Energy Corporation Proprietary Limited	**–**	–	**297**	311
Anchor Park Investments 48 Proprietary Limited	**–**	–	**6 121**	387
Amounts included in trade and other receivables regarding related parties				
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**4 126**	176
Radiant Group Proprietary Limited	**–**	–	**1 567**	458
Amounts included in trade and other payables regarding related parties				
South Ocean Electric Wire Company Proprietary Limited	**–**	–	**91**	–
Radiant Group Proprietary Limited	**–**	–	**2 127**	–
Anchor Park Investments 48 Proprietary Limited	**–**	–	**239**	29
Key management personnel				
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, and include directors of subsidiaries and divisional directors.				
Compensation to key management				
Salaries and short-term benefits	**11 685**	15 564	**–**	–

Short-term employment benefits comprise salaries, commission and bonuses paid.

Other employment benefits comprise travel allowances, fringe benefits on the use of Company's vehicles and contributions to medical aid funds.

Information regarding the earnings of the directors, executive and non-executive, have been disclosed separately in note 20.

34. Interest in subsidiaries

	Issued share capital and percentage held					
	2013 %	2012 %	**Shares at cost 2013 R'000**	Shares at cost 2012 R'000	**Indebtedness by/(to) 2013 R'000**	Indebtedness by/(to) 2012 R'000
Direct holdings						
South Ocean Electric Wire Company Proprietary Limited	**100**	100	**712 165**	712 165	**–**	–
Radiant Group Proprietary Limited	**100**	100	**488 038**	488 038	**–**	–
Anchor Park Investments 48 Proprietary Limited	**100**	100	*****	*	**6 121**	387
Radiant Matla Renewable Energy Corporation Proprietary Limited	**55**	55	*****	–	**297**	311
Icembu Services Proprietary Limited**	**100**	–	**270**	–	**–**	–
SOH Calibre International Limited***	**100**	100	*****	–	**–**	–
			1 200 473	1 200 203	**6 418**	698
Less: Dividends received from pre-acquisition profits (prior to 2009)			**(84 750)**	(84 750)	**–**	–
Less: Impairment			**(283 990)**	(146 990)	**–**	–
			831 733	968 463	**6 418**	698

** Denotes amounts of less than R1 000*

The amount of current and prior year impairment of investment is disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

34. Interest in subsidiaries (continued)

Indirect holdings (Dormant companies)	Issued share capital and percentage held 2013 %	2012 %
Radiant Lighting Proprietary Limited	**100**	100
Lohuis Properties Proprietary Limited	**100**	100
Lohuis SA Proprietary Limited	**100**	100
Ripple Effect 55 Proprietary Limited	**100**	100
Wild Break 116 Proprietary Limited	**100**	100
Razz-Ma-Tazz Lighting Proprietary Limited	**–**	100
Diaspara Developers Proprietary Limited	**100**	100
Stand 53 Atlas Gardens Proprietary Limited	**100**	100
Stand 431 Wynberg Proprietary Limited	**100**	100
Radiant Lighting and Electrical International Limited***	**100**	100

*** Previously Razz-Ma-Tazz Lighting Proprietary Limited.*

**** Incorporated in Hong Kong.*

35. Segmental reporting

The Group is organised into three main business segments:

- Electrical cable manufacturing – manufacturing and distribution of electric cable;
- Lighting and electrical accessories – import and distribution of light fittings, lamps and electrical accessories; and
- Property investments.

The activities of other Group companies that are not significant enough and do not warrant to be regarded as a segment on their own and are reported together with the corporate activities as other assets or liabilities or other overheads and are included in corporate and other assets in the reconciliation of total assets.

The chief operating decision maker who has been identified as the Group's executive committee, reviews the Group's internal reporting in order to assess performance and has determined the operating segments based on these reports.

The assessment of the performance of the operating segments is based on the operating profit before interest, income tax, depreciation and amortisation (EBITDA). This measurement basis excludes the effect of non-recurring expenditure from the operating segments, such as restructuring costs, profit on disposal of property, plant and equipment and impairments.

The reported total assets and liabilities exclude current and deferred taxation and intercompany balances.

The details of the business segments are reported as follows:

	Revenue R'000	Adjusted EBITDA R'000	Segment assets R'000	Segment liabilities R'000
2013				
Electrical cable manufacturing	**1 336 285**	**59 533**	**489 307**	**249 134**
Lighting and electrical accessories	**373 108**	**28 430**	**251 022**	**79 669**
Property investments	**15 995**	**5 446**	**202 448**	**35 072**
	1 725 388	**93 409**	**942 777**	**363 875**
2012				
Electrical cable manufacturing	1 058 277	72 657	425 596	177 622
Lighting and electrical accessories	354 321	29 285	391 237	92 919
Property investments	21 360	18 749	202 725	51 284
	1 433 958	120 691	1 019 558	321 825

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. Segment assets exclude available-for-sale financial assets and any inter-group loans existing at reporting date.

Segment liabilities comprises operating liabilities, and exclude current and deferred taxation and any inter-group liabilities existing at reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Reconciliation of segment results to statements of comprehensive income and financial position

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
35. Segmental reporting (continued)				
Revenue				
Reported segment revenue	**1 725 388**	1 433 958		
Inter-segment revenue (property rentals)	**(15 995)**	(21 360)		
Inter-segment revenue – other	**(18 472)**	(6 281)		
Revenue per consolidated statement of comprehensive income	**1 690 921**	1 406 317		
EBITDA				
Adjusted EBITDA	**93 409**	120 691		
Corporate and other overheads	**(17 229)**	(16 142)		
Depreciation	**(18 717)**	(16 351)		
Amortisation of intangible assets – lighting and electrical accessories segment	**(2 094)**	(4 284)		
Impairment of goodwill – lighting and electrical accessories segment	**(148 108)**	(175 000)		
Operating loss	**(92 739)**	(91 086)		
Operating loss	**(92 739)**	(91 086)		
Finance income	**533**	512		
Finance costs	**(18 885)**	(14 788)		
Loss before taxation	**(111 091)**	(105 362)		
Assets				
Reportable segment assets	**942 777**	1 019 558		
Corporate and other assets	**1 714**	2 130		
Taxation receivable	**3 166**	4 127		
Total assets per statement of financial position	**947 657**	1 025 815		
Liabilities				
Reportable segment liabilities	**363 875**	321 825		
Corporate and other liabilities	**5 907**	5 443		
Deferred tax	**33 629**	33 425		
Taxation payable	**–**	252		
Total liabilities per statement of financial position	**403 411**	360 945		

The Group operates primarily in South Africa. No geographical segmental information is disclosed as there are no separately defined segments that contribute more than 10% of revenue, results, assets or liabilities.

The Group revenue earned in South Africa is R1 646 937 000 (2012: R1 367 457 000) and earned from other countries is R43 984 000 (2012: R38 859 000). Revenue in excess of 20,0% (2012: 25,9%) of total revenue was derived from a single external customer.

The total of non-current assets other than financial instruments and deferred tax assets located in South Africa is R294 497 000 (2012: R478 980 000) and the total of these non-current assets located in other countries is Rnil (2012: R80 000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

36. Changes in accounting estimate

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year. The following change in accounting estimate occurred in the current year:

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year. The following change in accounting estimate occurred in the current year:

Change in the useful lives of certain asset categories

During the previous year, Radiant Group Proprietary Limited changed its accounting estimate with respect to the useful lives assessment of Plant and Machinery, Furniture and Fixtures, Office Equipment and Computer Equipment. In order to conform with the benchmark treatment in IAS 8, paragraph 39 Radiant Group Proprietary Limited discloses the effect of this change.

The aggregate effect of the changes in accounting estimate on the Annual Financial Statements for the year ended 31 December 2012 is as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Profit or Loss				
Depreciation				
Previously stated	**–**	(4 124)	**–**	–
Adjustment	**–**	1 068	**–**	–
	–	**(3 056)**	**–**	–
Current taxation				
Previously stated	**–**	1 155	**–**	–
Adjustment	**–**	(299)	**–**	–
	–	**856**	**–**	–

The effect of the change in accounting estimate on future periods has not been disclosed as it was considered impracticable to measure.

37. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

38. Events after the reporting period

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Annual Financial Statements, which would affect the operations of the Company and the Group or the results of those operations significantly.

ANALYSIS OF ORDINARY SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Number of shareholdings	% of total shareholdings	Shares held	% Held
Shareholder spread				
1 – 1 000 shares	**143**	20,49	84 959	0,05
1 001 – 10 000 shares	**272**	38,97	1 218 643	0,78
10 001 – 100 000 shares	**197**	28,22	7 373 974	4,72
100 001 – 1 000 000 shares	**65**	9,31	21 589 862	13,81
1 000 001 shares and over	**21**	3,01	126 111 536	80,64
Total	**698**	**100,00**	**156 378 974**	**100,00**
Distribution of shareholders				
Public companies	**3**	0,43	61 313 069	39,21
Retail shareholders	**527**	75,50	32 849 151	21,01
Trusts	**49**	7,02	22 866 588	14,62
Collective Investment Schemes	**13**	1,86	18 256 104	11,67
Retirement Benefit Funds	**27**	3,87	4 883 915	3,12
Hedge funds	**9**	1,29	4 829 948	3,09
Custodians	**4**	0,57	3 992 410	2,55
Private companies	**24**	3,44	2 766 384	1,77
Foundations and charitable Funds	**10**	1,43	1 773 999	1,13
Close corporations	**20**	2,87	1 142 729	0,73
Assurance companies	**2**	0,29	619 751	0,40
Stockbrokers and nominees	**3**	0,43	566 880	0,36
Investment partnerships	**3**	0,43	418 000	0,27
Managed funds	**4**	0,57	99 866	0,07
Total	**698**	**100,00**	**156 378 794**	**100,00**
Non-public shareholders	**6**	0,86	74 135 138	47,40
Directors and associates of the Company (direct holding)	**3**	0,43	6 632 925	4,24
Directors and associates of the Company (indirect holding)	**2**	0,29	28 279 063	18,08
Holders holding more than 10% (excluding directors holding)				
Hong Tai Electronic Industrial Company Ltd	**1**	0,14	39 223 150	25,08
Public shareholders	**692**	99,14	82 243 656	52,60
Total	**698**	**100,00**	**156 378 794**	**100,00**
Beneficial shareholders (>5%)				
Hong Tai Electronic Industrial Company Ltd			39 223 150	25,08
Metallic City International Ltd			20 069 919	12,83
H.S. Family Trust			14 245 992	9,11
Investec			9 376 074	6,00
Mrs Mary Chua Pan			8 209 144	5,25
Total			**91 124 279**	**58,27**
Top 5 Fund Managers				
Investec Asset Management			14 971 991	9,57
Flagship Asset Management			6 700 000	4,28
Peregrine Capital			3 524 489	2,25
Momentum Investments			1 319 685	0,84
Cogito Capital			1 260 000	0,81
Total			**27 776 165**	**17,75**
Total number of shareholders	**698**			
Total number of shares in issue	**156 378 794**			
Share price performance				
Opening price 2 January 2013	**R1,50**			
Closing price 31 December 2013	**R1,28**			
Closing low for the period (14 August 2013)	**R1,18**			
Closing high for the period (4 April 2013)	**R1,73**			
Total volume traded (2 January 13 – 31 December 13)	**21 986 447**			
Rand value traded (2 January 13 – 31 December 13)	**R32 332 238**			

ANALYSIS OF DIRECTORS' SHAREHOLDING

FOR THE YEAR ENDED 31 DECEMBER 2013

Director	Direct Beneficial 2013	Indirect Beneficial 2013	Direct Beneficial 2012	Indirect Beneficial 2012	Total	Percentage of Issued Share Capital (%)
Mr Edward Hwei-Ti Pan	4 728 238	28 279 063	4 728 238	27 734 563	33 007 301	21,11
Mr Paulo Jose Monteiro Ferreira	1 412 880	–	1 412 880	–	1 412 880	0,90
Mr Jacobus Petrus Bekker	491 807	–	491 807	–	491 807	0,31
Total	**6 632 925**	**28 279 063**	**6 632 925**	**27 734 563**	**34 911 988**	**22,33**

Directors Transactions During The Year – 2013		No of shares	
Mr Edward Hwei-Ti Pan	Purchase, on market	100 000	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	114 311	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	5 689	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	14 500	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	10 000	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	86 606	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	5 800	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	7 594	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	25 000	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	75 000	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	14 838	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	15 000	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	20 162	Indirect Beneficial
Mr Edward Hwei-Ti Pan	Purchase, on market	50 000	Indirect Beneficial
		544 500	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventh Annual General Meeting of shareholders of South Ocean Holdings Limited ("the Company") will be held in the Conference room, 16 Botha Street, Alrode, on Wednesday, 30 July 2014 at 11:00. To ensure that registration procedures are completed by 11:00, please register for the Annual General Meeting from 10:30. Only those shareholders listed in the shareholders' register as at Friday, 18 July 2014 will be eligible to vote at the Annual General Meeting.

The purpose of the Annual General Meeting is to propose the passing of the following ordinary and special resolutions:

1. **ORDINARY RESOLUTION NUMBER 1**

   Approval of annual financial statements

   Resolved that the annual financial statements of the Company and its subsidiary companies for the year ended 31 December 2013, together with the reports of the directors, auditors and Audit and Risk Management Committee be and are hereby considered and adopted.

2. **ORDINARY RESOLUTION NUMBER 2**

   Appointment of auditors and designated auditor

   Resolved that PricewaterhouseCoopers Inc. be and are hereby re-appointed auditors of the Company and that Mr JL Roos is hereby appointed as the designated auditor to hold office for the ensuing year.

   The Company's Audit and Risk Management Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as auditors of the Company with Mr JL Roos being appointed as the designated auditor for the current financial year.

3. **ORDINARY RESOLUTION NUMBER 3**

   Re-election of Mr EHT Pan as a director

   Resolved that Mr EHT Pan, who retires in terms of the Company's Memorandum of Incorporation, be and is re-elected a director of the Company.

   The *curriculum vitae* for Mr EHT Pan appears on page 8 of this annual report.

4. **ORDINARY RESOLUTION NUMBER 4**

   Re-election of Mr HL Li as a director

   Resolved that Mr HL Li, who retires in terms of the Company's Memorandum of Incorporation, be and is re-elected a director of the Company.

   The *curriculum vitae* for Mr HL Li appears on page 8 of this annual report.

5. **ORDINARY RESOLUTION NUMBER 5**

   Re-election of Ms N Lalla as a director

   Resolved that Ms N Lalla who retires in terms of the Company's Memorandum of Incorporation, be and is re-elected a director of the Company.

   The *curriculum vitae* for Ms N Lalla appears on page 9 of this annual report.

6. **ORDINARY RESOLUTION NUMBER 6**

   Re-election of Ms L Stephens as a director

   Resolved that Ms L Stephens who retires in terms of the Company's Memorandum of Incorporation, be and is re-elected a director of the Company.

   The *curriculum vitae* for Ms L Stephens appears on page 9 of this annual report

7. **ORDINARY RESOLUTION NUMBER 7**

   Appointment of Audit and Risk Management Committee member

   Resolved that Ms M Chong be appointed a member and chairperson of the Audit and Risk Management Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

8. **ORDINARY RESOLUTION NUMBER 8**

   Appointment of Audit and Risk Management Committee member

   Resolved that Mr KH Pon be appointed a member of the Audit and Risk Management Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

9. **ORDINARY RESOLUTION NUMBER 9**

   Appointment of Audit and Risk Management Committee member

   Resolved that Ms N Lalla be appointed a member of the Audit and Risk Management Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING (continued)

10. ORDINARY RESOLUTION NUMBER 10

Remuneration Policy

The Remuneration Policy, which forms part of the Remuneration Report, as set out on page 38 of the annual report, for the financial year ended 31 December 2013, will be tabled at the Annual General Meeting.

Resolved that, as a non-binding advisory vote, the Remuneration Policy, as tabled, be and is hereby approved.

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

11. SPECIAL RESOLUTION NUMBER 1

Non-executive directors' fees for the financial year ending 31 December 2014 and quarter ending 31 March 2015

Resolved that the fees, to be paid to the non-executive directors for their services as directors of the Company, for the year ending 31 December 2014 and the quarter ending 31 March 2015 (being a quarter of the fees payable for the year ending 31 December 2014) be approved as follows:

	31 December 2014
• Chairperson	R409 006,00
• Deputy-vice chairperson	R235 956,00
• Non-executive director	R136 335,00
• Chairperson of the Audit Committee	R204 503,00
• Member of the Audit Committee	R44 183,00
• Chairperson of the Remuneration Committee	R62 882,00
• Member of the Remuneration Committee	R44 183,00
• Chairperson of the Social and Ethics Committee	R62 882,00
• Chairperson of special committee	R2 650,00 per hour
• Member of special committee	R1 590,00 per hour

and that the increase in fees payable to the directors, for the quarter ended 31 March 2014, amounting to R19 679,00 be and is hereby ratified and approved. Shareholders approved the payment of the fees for the first quarter of the 2014 fees at the previous Annual General Meeting of the Company.

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the non-executive directors of the Company for the financial year ending 31 December 2014 and for the quarter ending 31 March 2015 in accordance with section 66(9) of the Companies Act, 2008, and to confirm and ratify the fees payable to the directors for the quarter ending 31 March 2014. The passing of this special resolution will have the effect of approving the remuneration of each of the non-executive directors of the Company for the financial year ending 31 December 2014 and quarter ending 31 March 2015 as well as confirming and ratifying the increase in fees paid to the directors for the quarter ending 31 March 2014. The fees payable for the quarter ending 31 March 2015 will be based on a quarter of the fees as approved above. Shareholders will be requested to approve any adjustment to the fees payable for the quarter ending 31 March 2015 at the 2015 Annual General Meeting.

12. SPECIAL RESOLUTION NUMBER 2

Loans or other financial assistance

Resolved that the Board of Directors may authorise the Company, in terms of section 45 of the Companies Act, 2008, to provide any direct or indirect financial assistance that the Board of Directors may deem fit to any related or inter-related companies as defined in terms of section 2 of the Companies Act, 2008.

The reason and effect of special resolution number 2 is to approve generally the provision of financial assistance to the Company's related or inter-related companies and as, from time to time, may be required in the normal course of the Company's businesses.

13. ORDINARY RESOLUTION NUMBER 11

General authority over unissued shares

Resolved that all the authorised unissued ordinary shares in the Company be and are hereby placed under the control of the directors until the date of the next Annual General Meeting, subject to the provisions of the JSE Listings Requirements and the condition that no issue of these shares will be made if it could have the effect of changing control of the Company.

No issue of these shares is contemplated at the present time and no issue will be made that could effectively change the control of the Company without the prior approval of shareholders in a general meeting.

NOTICE OF ANNUAL GENERAL MEETING (continued)

14. ORDINARY RESOLUTION NUMBER 12

General authority to issue shares for cash

Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to issue shares for cash (as contemplated in terms of the JSE Listings Requirements) for up to 10%, i.e. 15 637 879 issued shares in the capital of the Company as and when they in their discretion deem fit, subject to the Companies Act, No. 71 of 2008, as amended, the Memorandum of Incorporation of the Company and the JSE Listings Requirements as presently constituted and which may be amended from time to time.

The reason for the above ordinary resolution number 10 is to give the directors authority to issue up to 10% of the unissued shares for cash in order to pursue suitable BEE partners.

Additional requirements imposed by the JSE Listings Requirements

It is recorded that the Company may only make an issue of shares (as defined in the JSE Listings Requirements) for cash under the above general authority if the following JSE Listings Requirements are met:

(a) the shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;

(b) the general authority shall only be valid until the Company's next Annual General Meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;

(c) a paid press announcement will be published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) days prior to the date that the price of the issue was agreed in writing between the Company and party/ies subscribing for such shares and the expected effect on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) of the number of shares in issue prior to that issue;

(d) that issues in the aggregate in any 1 (one) financial year may not exceed 10% (ten percent) of the number of the shares of the Company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements;

(e) in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the Company and the party/ies subscribing for the shares; and

(f) any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties.

15. ORDINARY RESOLUTION NUMBER 13

Directors' or Company Secretary's authority to implement special and ordinary resolutions

Resolved that any director of the Company or the Company Secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting.

16. SOCIAL AND ETHICS COMMITTEE

A report on the Social and Ethics Committee, in terms of Regulation 43 of the Companies Act, 2008, has been included in the annual report (page 41). The report sets out the matters as required in terms of the Social and Ethics Committee's terms of reference. Shareholders will not be asked to vote on any matters contained in the Social and Ethics Committee's terms of reference but may raise any questions they may have regarding the said terms of reference.

General Instructions and information

The annual report to which this notice of the Annual General Meeting is attached, provides details of:

- the directors of the Company on pages 8 to 9;
- the major shareholders of the Company on page 100;
- the director's shareholding in the Company on page 101; and
- the share capital of the Company in note 10 on page 80.

The only matter that might have a material effect on one of the Group's subsidiary companies, SOEW, is the matter referred to in the SENS announcement, dated 27 March 2014, stating that the Competition Commission had announced on 19 March 2014 that it had referred a complaint against SOEW and three other competitors to the Competition Tribunal for possible price fixing and market allocation in contravention of the Competition Act; and that the Commission has asked the Tribunal to impose an administrative penalty of 10% of annual turnover on each of the firms involved, except for Aberdare Cables, which had been granted conditional leniency. This referral arises from a complaint that the Commission first initiated on 16 March 2010 against SOEW, Aberdare Cables, Alvern Cables and Tulisa Cables, and which was referred to in the SENS announcement dated 6 May 2010.

There are no other material changes to the Company's financial or trading position, nor are there any material, legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Company between 31 December 2013 and 27 June 2014.

NOTICE OF ANNUAL GENERAL MEETING (continued)

The directors, whose names are given on pages 8 to 9 of the annual report, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and beliefs there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contains all information required by law and the JSE Listings Requirements.

All shareholders are encouraged to attend, speak and vote at the Annual General Meeting.

Entitlement to attend and vote at the Annual General Meeting in person or by proxy

If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name in the Company sub-register), as at Friday, 18 July 2014, then:

- you may attend and vote at the Annual General Meeting; alternatively
- you may appoint an individual as a proxy, (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in your place at the Annual General Meeting by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover of the annual report, by no later than 11:00 on Monday, 28 July 2014, being 48 (forty-eight) hours prior to the time appointed for the holding of the Annual General Meeting. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited as aforesaid, before your proxy may exercise any of your rights as a shareholder at the Annual General Meeting.

Any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. section 63(1) of the 2008 Companies Act, requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic ("STRATE") held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the Company, but your CSDP or broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

- if you wish to attend the Annual General Meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the Annual General Meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the Annual General Meeting and/or request it to appoint a proxy.

You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the Annual General Meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on the inside back cover of the annual report, by no later than 11:00 on Monday, 28 July 2014, being 48 (forty-eight) hours prior to the time appointed for the holding of the Annual General Meeting.

By order of the Board

W T Green
Company Secretary

Johannesburg
27 June 2014

SHAREHOLDERS' DIARY

2013 FINANCIAL YEAR-END

Annual General Meeting	30 July 2014

FINANCIAL YEAR-END

Financial year-end	31 December

REPORTS

Interim report	August 2014
Final results	March 2015
Publication of annual report	June 2015

DIVIDEND PAYMENT

Final	April 2015

2014 ANNUAL GENERAL MEETING

Annual General Meeting	June 2015

FORM OF PROXY

Form of proxy for use at the Annual General Meeting of South Ocean Holdings Limited ("the Company") to be held at the Head Office of the Company, situated at 16 Botha Street, Alrode, at 11:00 on Wednesday, 30 July 2014. Shareholders listed in the shareholder register as at Friday, 18 July 2014 will be eligible to vote at the Annual General Meeting.

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an own name dematerialised shareholder. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's sub-register.

This form of proxy is only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's sub-register as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the Annual General Meeting, and at any adjournment thereafter.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the Annual General Meeting;
- the appointment of the proxy is revocable; and
- you may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. Please also note that section 63(1) of the Companies Act, 2008, requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to vote.

I/We

(BLOCK LETTERS)

Address:

Contact telephone number:

being the holder/s of ______ ordinary shares in the Company, hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the Annual General Meeting,

as my/our proxy to attend, participate in and speak and vote at the meeting in my/our place and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions set out below (refer to note 2).

My/our proxy may delegate to another person his/her authority to act on my behalf at the Annual General Meeting, provided that my/our proxy:

- may only delegate his/her authority to act on my behalf at the Annual General Meeting to a director of the Company; and
- must provide written notification to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my behalf at the Annual General Meeting by no later than 11:00 on Monday, 28 July 2014, being 48 (forty-eight) hours before the general meeting to be held at 11:00 on Wednesday, 30 July 2014; and
- must provide to his/her delegee a copy of his/her authority to delegate his/her authority to act on my behalf at the Annual General Meeting.

Number of votes (one vote per ordinary share)	For	Against	Abstain
ORDINARY RESOLUTION NUMBER 1: Adoption of annual financial statements			
ORDINARY RESOLUTION NUMBER 2: Appointment of the auditors and designated auditor			
ORDINARY RESOLUTION NUMBER 3: Re-election of Mr EHT Pan as a director			
ORDINARY RESOLUTION NUMBER 4: Re-election of Mr HL Li as a director			
ORDINARY RESOLUTION NUMBER 5: Re-election of Ms N Lalla as a director			
ORDINARY RESOLUTION NUMBER 6: Re-election of Ms L Stephens as a director			
ORDINARY RESOLUTION NUMBER 7: Appointment of Audit and Risk Management Committee member M Chong			
ORDINARY RESOLUTION NUMBER 8: Appointment of Audit and Risk Management Committee member KH Pon			
ORDINARY RESOLUTION NUMBER 9: Appointment of Audit and Risk Management Committee member N Lalla			
ORDINARY RESOLUTION NUMBER 10: Approval of Remuneration Committee report			
SPECIAL RESOLUTION NUMBER 1: Approval of non-executive directors' fees			
SPECIAL RESOLUTION NUMBER 2: Approval of loans or other financial assistance to related or inter-related companies			
ORDINARY RESOLUTION NUMBER 11: Placing unissued shares under the control of the directors			
ORDINARY RESOLUTION NUMBER 12: General authority to issue shares for cash			
ORDINARY RESOLUTION NUMBER 13: Directors' and Company Secretary's authority to implement ordinary and special resolutions			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote.

Signed at on 2014

Signature:

(Authority of signatory to be attached if applicable – see notes 8 and 10)

Telephone number:

NOTES TO THE FORM OF PROXY

Summary of shareholders rights in respect of proxy appointments as contained in section 58 of the Companies Act, 2008

Please note that in terms of section 58 of the Companies Act, 2008:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at the Annual General Meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the Annual General Meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the Annual General Meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of: (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- If this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act, 2008, or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the Annual General Meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the Annual General Meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

1. Only shareholders listed in the shareholder register as at Friday, 25 July 2014 will be eligible to vote at the Annual General Meeting to which this proxy forms part.
2. The person whose name stands first on the proxy form and who is present at the Annual General Meeting will be entitled to act as a proxy to the exclusion of those whose names which follow thereafter.
3. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
4. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
6. Proxy forms must be lodged at the head office of the Company, 16 Botha Street, Alrode, 1451 or posted to the Company Secretary at PO Box 260362, Excom, 2023, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
7. Forms of proxy must be received or lodged by no later than 11:00 on Monday, 28 July 2014, being 48 (forty-eight) hours before the time appointed for the Annual General Meeting of the Company to be held at 11:00 on Wednesday, 30 July 2014.
8. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting if he is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
9. Any alteration or correction made to this proxy form must be initialed by the signatory/ies, but any such alteration or correction will only be validly made if it is accepted by the Chairperson.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

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GENERAL INFORMATION

COMPANY REGISTRATION NUMBER
2007/002381/06

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Holding company

DIRECTORS
KH Pon
EHT Pan
M Chong
N Lalla
HL Li
L Stephens
CY Wu
CH Pan (Alternate)
DL Pan (Alternate)
WP Li (Alternate)
PJM Ferreira
JP Bekker

REGISTERED OFFICE
12 Botha Street
Alrode
1451

Business address
16 Botha Street
Alrode
1451

Postal address
PO Box 123738
Alrode
1451

BANKERS
First National Bank, a division of FirstRand Bank Limited

AUDITORS
PricewaterhouseCoopers Inc.

COMPANY SECRETARY
WT Green

TRANSFER SECRETARY
Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown 2107)

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